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*\*\*The Bank publishes from time to time in this  
MONTHLY REVIEW signed articles by exponents of  
different theories on questions of public interest.  
The Bank is not necessarily in agreement with  
the views expressed in these articles.*

## Recovery and the Distressed Areas

*By Donald Tyerman*

THE present boom in employment and production, however long it may last, is not an occasion for complacency. When industry is working to capacity, nearly 10 per cent. of insured persons are out of work. In January of this year, when the percentage of unemployment in all Great Britain was twelve, the corresponding percentages in South Wales, Durham and Tyneside, West Cumberland and Central Scotland were between 2 and 2½ times as high. These Special Areas were defined in 1934 as regions of abnormal unemployment; and after three years of world recovery, rearmament activity and ameliorative measures this character remains. Although the Special Areas are improving at a much greater rate than the rest of the country, their unemployment is still twice as high as in all Great Britain.

It is serious enough that over 1,300,000 persons should be out of work at the height of prosperity. It is even more disturbing that the burden of unemployment should still be heavily localised in the distressed areas. Up to 1929 the concern of economists, business men and politicians was for the depressed industries. To-day the object of policy is to rehabilitate the regions in which the depression of these staple export industries, coal, cotton, iron and steel, and shipbuilding, has left a lasting legacy of distress. In various ways, largely

by reorganisation and contraction, these industries have been revived. They are making profits again, and participating in the current boom. Since June, 1936, unemployment in the areas has fallen from 384,079 to 269,850 in September, 1937. Only here and there, as in the long valleys of South Wales, the stricken villages of South West Durham, and the desolated districts of West Cumberland, has industrial readjustment proved so far impossible. Retail sales, rail and holiday traffic, entertainment receipts, electricity consumption, the number of private cars and telephones, and the business of building societies, all show that recovery has visited the Special Areas no less than elsewhere. The major social problem, however, persists in all these areas. Their industries have been in part scaled down and rationalised; but their labour forces, amenities and facilities are still those designed for the old order when the markets of the world were still open.

It would, of course, be inaccurate to regard the restoration of the depressed industries as, in any sense, completed. The present boom perhaps conceals the headway which has still to be made. The problems of redundant plant and uneconomic units in the cotton, shipbuilding, iron and steel, and coal industries have been tackled. But in the middle of last year it was estimated that nearly a quarter of the plant in the cotton industry was in excess of current requirements; and although much improvement has been shown since then, the process of reorganisation has still a very long way to go. Some months ago the President of the Board of Trade promised that the Government would assist further in the reorganisation of the cotton industry; and the joint Committee of Cotton Organisations has only recently produced a comprehensive plan. Similarly, the reorganisation of the coal industry, upon which the Special Areas so largely depend, has barely been begun. Further progress in efficient amalgamation of coal producers, like the implementing of a plan for the iron and steel industry, may possibly be important parts of the Government's programme in the new session. The production of oil from coal will be considered so far as economically practicable and strategically desirable. Reorganisation by private and public effort has thus been started, and its direction is clear. While it may be true that these industries, when pruned and scaled down, when revivified by the elimination of uneconomic

competition and the introduction of more efficient processes and more healthy finance, will be capable of earning steady profits under the new conditions of dwindled foreign demand, and ultimately of expanding to employ more workers at good wages, yet for the moment the trend of revival is simply to clarify the problems of surplus labour and localised distress.

This aspect of the problem of the distressed areas was clearly stated in 1931. The then President of the Board of Trade called upon various University departments to undertake industrial surveys of the hard-hit regions; and, in particular, to estimate "the volume of labour likely to be surplus to the requirements of individual industries within the next few years." The Survey of the North-East Coast, for instance, estimated a permanent surplus of 64,000 male insured workers for whom work could not be found even if trade was restored to the 1929 level; and four years later Mr. E. D. McCallum suggested that this estimate was too low, because improved technical efficiency would "allow a greater output for the same amount of labour." Similarly, a surplus of 160,000 was estimated in the Lancashire region, and as recently as March of this year, before the defence programme was stated, the Second Industrial Survey of South Wales estimated a surplus of 80,000 in the industrial region of South Wales. Indeed, this state of affairs was apparent even before the grievous sufferings of men and women in the distressed areas during the recent depression brought it to the public notice and conscience. Even in 1929, at the last peak of prosperity, unemployment was over 1,200,000, and more than 10 per cent. of all insured persons in Great Britain were out of work. The proportion of unemployed persons in coal-mining was over 20 per cent.; and in cotton over 14 per cent. The disparity between the prosperous and depressed regions was evident; and that disparity to-day is at least as great as it was eight years ago.

It might be supposed that the coincidence of industrial boom and rearmament activity would, at least temporarily, have abated this problem. The competitive demands of civil industry and munitions and allied occupations for men, materials and equipment are acutely evident in rising costs and shortages. Indeed, in so far as the defence programme could "take up the slack" of the distressed areas, it would, on the short run, be wholly desirable in the economic sense.

Unfortunately, it does not, and cannot, work like that, however energetically the authorities may seek to distribute contracts to alleviate distress. Without doubt, rearmament has played a considerable part in the recovery which has infused the depressed and Special Areas, like the rest of the country, with a new life. Directly or indirectly, the marked expansion since the last quarter of 1936 in the output of iron and steel and the recent record production which has been achieved must be due in part to armament manufacture. The monthly production of steel ingots and castings in 1929 was 803,000 tons; in 1931 and 1932 output was less than 440,000 tons a month; this year it has never been below 980,000 tons a month, and in March, April, May, June and July it exceeded one million tons. There has been a similar expansion in the output of pig-iron, from 632,000 tons a month in 1929 to well over 700,000 tons in July and August of this year. The recovery of the tin-plate industry, and the reopening of abandoned works, must also be in part due to rearmament. In the words of Professor Marquand, "it is not so much production for sale to armament manufacturers, as production for markets which were formerly satisfied by those who are now manufacturing for armaments."

These trends, and the increased demand for coal at home and abroad—the tonnage of coal disposable commercially in the second quarter of 1937 was 14 per cent. higher than in the same quarter of 1936—are clearly due to British and foreign rearmament to some degree; and South Wales and Durham and Tyneside have, with other more prosperous districts, benefited thereby. By the end of February of this year, the value of orders under the Government's defence programme placed in the depressed and Special Areas was £57,000,000, and in the Special Areas alone £35,000,000; and there can be no doubt that these sums have been considerably increased in the intervening seven months. The expenditure of nearly £300 million annually on arms and defences cannot but affect the older established centres of industry with their tradition of skill in the making of munitions, their facilities for manufacture and, in some cases, their relative immunity from hostile attack. Yet the benefit has, in fact, been somewhat limited. To some extent capital and labour have been diverted from civil activity, which was prospering in the distressed areas before the defence programme was properly set on foot,

to munitions activity ; and the real surplus of labour, often unsuitable for munitions work, has been left comparatively untouched. There is a shortage of coal miners in the distressed areas, when over 40,000 coal miners in these areas are out of work ; and a shortage of skilled engineers when over 4,000 are unemployed. Activity has once again been concentrated on arms manufacture of a temporary character ; and idleness has only partly been relieved thereby.

Thus the basic problems of the distressed and Special Areas are only made more clear by the present activity. Summarised, they are several and distinct. In the first place, there remains the problem of the staple export trades. Already menaced before 1914 by the industrialisation of other countries, by competitive exports from elsewhere and by fiscal barriers, they were unduly inflated during and immediately after the War to meet an abnormal demand which collapsed. Since then, the further growth of competitive manufactures in old markets, the intensification of economic nationalism all over the world, the fluctuations in prices and currency policies, changes in technique, and the substitution in our own economy of a protected home market for the hazards of free trade, have made apparent their undue scale and lack of organisation. Even at the pinnacle of prosperity they can never hope again to employ the people ordinarily dependent upon them in the past. In the second place, therefore, there is need for new industries to absorb the surplus labour of these areas. New industries there are in plenty in Britain, but for the most part they are situated in new places, and especially in the South-East and in London. Of the employment provided by new factories between 1932 and 1936, forty per cent. was in Greater London and only a negligible part in the Special Areas. Some 40,000 persons migrated from the distressed areas in 1936, and many presumably found work in new trades. But employment is mainly offered by these industries to people in or near the places where they are established. Accordingly, this second problem of the distressed areas is complex ; to establish new industries ; to set them up in the distressed areas if possible ; but, in so far as it is not possible, to move workers from those areas to the new industrial centres. Broadly, therefore, it is a problem of industrial location and labour transference, and involves considerations of planning far removed from the individualist and *laissez*

*faire* principles of the nineteenth century. Finally, there is a problem of salvage ; some men are too old to move or to learn a new trade ; others, though young, have no experience of work ; and whole families are immobilised because their income is a family income, or because they have a local stake in their house or other property.

The time is opportune, therefore, to ask what needs to be done ? What has already been accomplished in the revival and pruning of the old staple trades, in the development and siting of new industries, and in the transference of redundant labour ? What has been done to ease the pains of adjustment to the conditions of a very changed world ? Public policy in modern conditions too closely affects private enterprise for the State to deny some responsibility. We have seen that the rehabilitation of the old industries is going on, and that, since at best, they will never employ their old *cadres* of workers, hope must ultimately rest upon new trades. Not for a very long time, however, can the new industries fill the gap left by the old. Therefore, an immediate task is to hasten the restoration of the coal, cotton, and iron and steel industries to a condition of reasonably continuous profitability. The means to that end, success in achieving which would reduce to a minimum the lengthier task of establishing and expanding new trades and moving work-people, are reorganisation, freer trade and financial assistance, including perhaps, in the last resort, export subsidies. But only fresh industrial development appropriately located can finally solve the problems of the distressed areas.

The encouragement of new industries in these areas is no simple matter. Broadly, unless greatly accelerated by what Sir Malcolm Stewart described as unconventional principles, it is a long-term remedy for an immediate and urgent disorder. As a policy, it involves two decisions of major importance. In general, how far is it justifiable to constrain the localisation of industry by State action, by interfering in one way or another with the interplay of forces which normally determines what industries shall be set down in particular places ? In particular, can the present emergency of distress in the Special Areas warrant preferential treatment by direct financial assistance and other means to new industries in the distressed areas ? There are problems which go beyond the local exigencies of South Wales, Durham and Tyneside,

West Cumberland, Central Scotland and the depressed regions of Lancashire. It is no mere matter of assisting the coal, cotton or iron and steel industries to set their houses in order ; or even of guaranteeing to them or to agricultural producers a safe market for their products. It is rather a question of State control or guidance of the siting of industrial undertakings and the distribution of population.

How far the Government has gone in these directions may be measured in their policy of the last three years. The Special Areas Bill, introduced in December, 1934, set up two Commissioners "with wide powers to initiate, organise, prosecute and assist measures designed for the economic development and social improvement of the depressed areas." These powers were very cautiously delimited ; land might be acquired for settlements ; small holdings and allotments might be financially assisted ; grants might be given to assist undertakings to provide subsistence and occupation to unemployed persons including works by local authorities which were not otherwise subsidised ; but no undertakings designed for financial gain might be assisted and the Development Fund of the Commissioners was limited in the first instance to £2 millions. In the words of Sir Malcolm Stewart two years later : "the Special Areas Act made no direct provision for any appreciable reduction in the number of those unemployed . . . such increased employment as is likely to result from the operation of the many schemes initiated will prove altogether insufficient, *in the absence of a spontaneous growth of new industries and expansion of existing industries*, to offset the release of labour brought about by increased mechanisation and rationalisation."

Two steps have, however, taken policy beyond the merely tentative beginnings of 1934. In June, 1936, the Special Areas Reconstruction Association was set up to furnish financial assistance to small businesses in the Special Areas, where such businesses were unable to obtain loans from banks in the ordinary way ; and its activities have been supplemented by the work of the Nuffield Trust. In March of this year, the Special Areas legislation of 1934 was renewed and revised. The limitation that the Commissioners must not assist profit-making concerns was removed. They were given power to assist newly established undertakings by making grants to defray part or all of their rent, rates and taxes for five years.

They were to encourage the formation of trading estates or site companies outside as well as inside the designated Special Areas. The Treasury was empowered to make loans, up to £2 millions, to new undertakings established anywhere in the Special Areas. The new powers of the Commissioners marked "the transition from a policy of palliation of misery to one of stimulation of revival." But the main burden of revival was still left to spontaneous and unassisted effort, to normal recovery and the defence programme. The major question, whether or not to compel or constrain the location of new industries in distressed areas, may be brought nearer to an answer when the recently appointed Royal Commission on the geographical distribution of the industrial population records its recommendations. There are reasons outside of the Special Areas why some such step might be taken: the colossal post-war growth of London, for instance, is not only socially undesirable and strategically dangerous, but it is by no means based on strictly economic factors.

Pending this major decision of policy, the position in regard to new industries may be reviewed. In 1935, 213 new factories were established in Greater London, and only two in all the Special Areas. In 1936, 261 new factories were established in Greater London and fewer than 10 in the Special Areas. In the latest Board of Trade Survey, an attempt was made to find the motives which influenced industrialists to choose sites for new factories. The results were vague and incomplete, but they suggest two conclusions. On the one hand, they support Sir Malcolm Stewart's contention that, apart from purely psychological reasons, "economic considerations must, in the main, determine the location of industry . . . and sympathy for the Special Areas does not of itself constitute a sufficient justification for establishing industries in the areas." On the other hand, the number of instances where "convenience of premises" was cited as the operative factor suggests, unless this means adjacency to golf courses and the West End, that the preparation of sites and the establishment of companies to let or sell cheap convenient factories furnished with full transport and power facilities are the best means to attract new enterprises where they are needed. The experience of the trading estates so far established with Government aid, at Gateshead, Treforest and Hillingdon, endorses the latter conclusion. They have

proved a magnet for a variety of new light industries, and while their demand for labour is likely to be very small, relative to the surpluses of their areas, their success—and that of similar private enterprises all over the country—is a pointer to the way in which the distressed areas may be set on an industrial basis more varied and less precarious than their traditional dependence on a few heavy export trades.

It would be erroneous, however, to set all hopes for the future of the distressed areas upon an extended policy of State inducements to new industries. A considerable redistribution of men and resources between old and new, heavy and light, industries has already taken place *proprio motu*. In Lancashire, for instance, the number of workers attached to the cotton industry fell between July, 1924, and July, 1936, from 474,000 to 349,000, and those attached to coal-mining from 107,000 to 70,000. Simultaneously, building and distribution gained similarly, and a number of smaller industries expanded. Lancashire's dependence on cotton has been sensibly reduced, and apart from a few coal-mining areas which are still hard hit, the present boom has, at least temporarily, considerably diminished the area's claim to be distressed. This enforced adaptability has been evident also on the North-East Coast. There, in Northumberland, Durham and the Cleveland district of Yorkshire, the number of workers attached to the basic trades of coal-mining, chemicals, iron and steel, metals, shipping and shipbuilding fell, between 1924 and 1936, from 429,000 to 339,000; and those in other industries, such as distribution, catering, building and road transport, rose from 251,000 to 376,000. Thus, the decline in the basic industries has been partly counterbalanced by the improvement in other trades. Adjustment is proceeding, but a serious gap remains, which, as we have already argued, can only be filled by special measures over and above the autonomous shifting of resources, by stemming the decline of the staple trades and enhancing the expansion of other industries. Moreover, this redistribution of men has not been equally possible in the South Wales Special Area and in West Cumberland; and, where it has been effected, it has been done "with great hardship, and has left considerable pockets of hard-core unemployment."

Thus we come back to our starting point. Recovery has restored the industries of the distressed areas to the highest

peak of activity possible under present conditions of world trade. Rearmament has added a considerable fillip, sometimes absorbing idle labour and resources, sometimes competing with civil industry. Government policy has been to care for derelict classes of workers and derelict places, and increasingly to encourage new industries with special inducements. Population has moved and been moved. Between 1923 and 1937 the number of industrial workers in Great Britain increased by 19 per cent. In the Midlands and South-East the increase was 31.5 per cent.; in the North and West it was only 8.5 per cent. Between 1923 and 1936 the *decrease* in employed workers in coal-mining was 47 per cent., in shipbuilding 21 per cent. and in cotton 20 per cent. In the same period, employment in the manufacture of motors, cycles and aircraft *increased* 72 per cent., in miscellaneous metal industries 62 per cent., hosiery 33 per cent. and carpets 20 per cent. The industries of the depressed areas have lost workers; those of London, the South-East and the Midlands have gained. Yet, despite the operation of all these factors, unemployment is at least twice as heavy in the distressed areas as in the country taken as a whole—although the Special Areas show a 25 per cent. reduction in unemployment compared with 14.5 per cent. for the whole of England. If, as officially forecast, the mean percentage of unemployment in Great Britain in the years 1936 to 1943 is likely to be 16.75 per cent. the prospects of these areas are still gloomy.

Indeed, recovery has revealed the bare bones of the problem. During the depression, the real state of employability in the distressed areas was lost to view amidst the unemployment due simply to cyclical factors—"abnormal-time" unemployment, as one economist has called it. Now, in recovery, "abnormal-place" unemployment stands out starkly. Perhaps half a million workers in the Special Areas and those other districts whose depression is akin to distress are, under normal conditions, redundant in those areas; the old staple industries cannot use them, and the new and the expanding trades cannot absorb them. Further migration and transference, destructive though it often is of family life and of a region's quality of man-power, may ease the position. But the 34,000 coalminers over 35 years of age who were unemployed on March 15th cannot easily be moved; nor, indeed, is piecemeal transference a satisfactory solution unless

it is related in detail to localised industrial developments over the whole country. By and large, the solutions must be as we have stated : the maintenance of the maximum volume of staple exports possible by a liberal trade policy and, if need be, by special aid, to reduce the difficulties of adjustment and liquidation to a minimum ; the scaling down of equipment, capacity and labour forces to the maximum employable in the staple industries, involving further and more extensive reorganisation of the coal, cotton and iron and steel industries ; the mitigation of distress by curing, clearing-up and caring for human wastage, by special treatment for aged unemployables and young untrained unemployed ; and finally, most important of all, the establishment of new industries on a much extended scale to balance the industrial economy of the distressed areas and absorb the redundant employables. Current conditions of recovery and rearmament have, for the time being, largely solved the cyclical problem. The special and more fundamental problems still remain, intensified by the accumulation of derelict people and places, although the " liquidation " of the areas by scaling down and labour transference has been begun.

Recovery in the distressed areas has shown us just this : we must be prepared for distress at least as severe as ever in the next depression, or we must very considerably speed up the development there of new industries. The preliminary step must be research of the kind undertaken by Professor Marquand and his colleagues in South Wales : the application of scientific principles of industrial location to the facts of the distressed areas. We must know precisely what industries can be located profitably in the areas, and what industries can, in general, be located with equal success anywhere. Economists at Cardiff, Birmingham and Manchester are ascertaining these facts from the experience of particular industries and particular localities. The Royal Commission on industrial distribution, which has just commenced its sessions, will become acquainted with much of the data and proposals available. It cannot easily assume that industries, by the simple operation of manufacturers' judgment, are necessarily located in the most economic or socially desirable places. Armed with knowledge, the Government, with the assistance of business men and industrialists, will be in a position to act. At least, it will continue its policy of " fixing a magnet in the Special

Areas which will overcome such attractions of London and the South as are not based upon their essential requirements or on well-founded economic considerations." At most, it may go further and make the magnet stronger ; by increasing the inducement to new industries in the distressed areas, even at the risk of giving openly preferential treatment ; by multiplying trading estates and increasing the moneys available to the Special Commissioners and the Special Areas Reconstruction Association ; and even by guiding or controlling much more vigorously than hitherto the location of industry. The prospect is that no new developments will mature in time to save the distressed areas from renewed distress when present prosperity abates ; and that, unless those developments are greatly accelerated *pari passu* with the freeing of trade and the reorganisation of industry, that distress will be very acute. The issue is one of major importance not only for the future of men and women in South Wales, Durham and Tyneside, West Cumberland, Central Scotland, Lancashire and Teeside, but also for the course of social and economic policy in years to come.

DONALD TYERMAN.

*November, 1937.*

## Notes of the Month

*The Money Market.*—In spite of a steady expansion in tender issues of Treasury bills, money has remained very easy. During most of October £50 millions of new Treasury bills were issued every week, against maturities of £40 millions and less, with the result that the total issue of bills by tender rose from £573 to £612 millions. It was only in the last week of the month that the issue was cut down to £42 millions. One result of this excess of payments for new bills over maturities was an increase in public deposits from £18·0 millions on October 6th to £29·8 millions a fortnight later. Meanwhile notes were returning from circulation during most of October, the total drop during the same fortnight amounting to £7·5 millions. This was a seasonal movement and does not indicate any substantial dishoarding by foreigners. Still, whatever its cause, its net result was to reinforce the Bank's Reserve by this same amount of £7·5 millions, but this increase in the Reserve was offset by a reduction in the Bank's holdings of securities. The result of all these cross-currents was that between October 6th and October 20th, bankers' deposits fell from £102·1 to £89·3 millions.

Normally a contraction of this magnitude would have made money a little less easy, especially as during October the banks are not too eager to buy January Treasury bills, while the market are reluctant sellers of December bills. Yet although the market were perhaps carrying more bills than usual, there was not the slightest sign of any stringency, and discount rates remained at their now customary level of  $\frac{1}{2}$  per cent. for Treasury bills and  $\frac{11}{12}$  per cent. for three months' bank bills. The fact is that even when bankers' deposits are as low as £89 millions, the market is still amply supplied with money.

*The Foreign Exchanges.*—The main change during October was the marked recovery in the franc. There was only a limited improvement in the spot rate, for sterling only fell from Frs.150 $\frac{1}{2}$  to Frs.146 $\frac{1}{2}$ . Three months' francs, however, have improved from Frs.12 $\frac{1}{2}$  discount to Frs.3 discount, which is a very noticeable recovery. More important still, the lack of apparent improvement in the spot rate is entirely due to heavy sales of francs and purchases of gold or *devisen* by the French Control, and there must have been a very large increase in

the foreign exchange resources of the French Exchange Fund. Apparently the policy of the French authorities was to permit from time to time a slight appreciation in the spot rate so as to encourage the repatriation of French funds, and then to intervene again and make heavy sales of francs. Various influences contributed towards this improvement, including the Swiss loan to the French railways and the result of the French cantonal elections. The main influence, however, was the uncertainties of the international situation and the pronounced weakness early in the month on the London and New York Stock Exchanges. These unfavourable developments abroad seem to have convinced a number of French capitalists that after all their money might be safer at home, and there was undoubtedly a heavy repatriation of French funds during October. How long this movement will continue is an open question, and it was noticeable that, whenever there was a rally on the London and New York markets, there was a tendency for the return of funds to France to be checked. Meanwhile both dollars and the chief Continental currencies, such as guilders, belgas and Swiss francs, were inclined to weaken against sterling, for the repatriation of French funds occasioned sales of these currencies for sterling, together with sales of sterling for French francs. The New York spot rate for sterling was inclined to be unsteady during October, but only moved within limits of \$4.94 $\frac{1}{4}$  and \$4.96 $\frac{7}{8}$ . On balance it weakened during the month. Forward belgas weakened to 21 cents discount on the news of M. Van Zeeland's resignation. Early in the October the final official control over the exchanges was removed by the Portuguese authorities, and dealings in foreign exchange are now entirely free.

*The Stock Exchange.*—Until the middle of October conditions of extreme weakness prevailed on both the London and New York markets, and these finally gave rise to rumours, emanating from the Continent, of a wholly unjustifiable character. There were several explanations of this general decline in prices and the accompanying nervousness. First there was the international situation, and more particularly the wars in Spain and the Far East. Next there are political considerations in the United States. The course of dealings in Wall Street depends to a large extent upon the view taken by large operators of President Roosevelt's declared policy, and psychologically it is easy for political doubt and opposition

to be translated into market uncertainty coupled with a reluctance to invest money in securities. Regarded in this way the announcement of an autumn session of Congress, with its attendant uncertainties, on the whole had a depressing influence. There were also doubts of the autumn business outlook in the United States, partly arising out of the stock market weakness. When the close connection between London and New York is remembered, and when it is realised how many British securities are held by Americans and *vice versa*, it is easy to see why prices in both centres tend to move together.

On the whole the decline during September and early October probably went too far, as is shown by the fact that a distinctly firmer tendency emerged during the closing days of October, particularly whenever the international political situation showed signs of improving. It is also significant that British Government securities have remained a firm market during practically the whole of the past two months. It is also probable that a number of speculative positions have been liquidated since the summer, with very little serious difficulty, and so markets should now be in a stronger position. At the same time, international politics generally and the course of sentiment in the United States will continue to influence markets in conjunction with the favourable trend of British trade. These are the salient facts upon which to base any judgment of market movements in the near future.

*Overseas Trade.*—The September Trade returns show that the normal autumn expansion is beginning. The month's returns are summarised below:—

|                     |     | Sept.,<br>1935 | Sept.,<br>1936 | Aug.,<br>1937 | Sept.,<br>1937 |
|---------------------|-----|----------------|----------------|---------------|----------------|
|                     |     |                | (£ millions)   |               |                |
| Imports ...         | ... | 60.8           | 71.9           | 86.7          | 87.8           |
| British exports ... | ... | 34.1           | 37.0           | 42.5          | 44.3           |
| Re-exports ...      | ... | 3.8            | 3.9            | 6.7           | 5.2            |
| Total exports ...   | ... | 37.9           | 40.9           | 49.2          | 49.5           |
| Import surplus ...  | ... | 22.9           | 31.0           | 37.5          | 38.3           |

Imports of raw materials and manufactured goods show little change from August, and the main increase is in food imports. This is largely seasonal. The increase in exports since August is mainly in those of manufactured goods, notably

in wood and timber manufactures, chemicals and vehicles. Textile exports are on the whole lower.

The returns for the first nine months of the past two years are summarised below:—

| Description                            | Jan.-Sept.,<br>1936 | Jan.-Sept.,<br>1937 | Increase (+)<br>or<br>Decrease (-) |
|--|---------------------|---------------------|------------------------------------|
| Total Imports ... ... ...              | £ mn. 608.0         | £ mn. 741.9         | £ mn. + 133.9                      |
| Retained Imports ... ... ...           | 562.3               | 682.5               | + 120.2                            |
| Raw Material Imports ... ... ...       | 178.2               | 232.1               | + 53.9                             |
| Manufactured Goods Imports ... ...     | 155.9               | 202.5               | + 46.6                             |
| Total Exports, British Goods ... ...   | 320.1               | 385.7               | + 65.6                             |
| Coal Exports ... ... ...               | 21.5                | 27.5                | + 6.0                              |
| Iron and Steel Exports ... ... ...     | 26.2                | 35.5                | + 9.3                              |
| Cotton Exports ... ... ...             | 45.2                | 52.3                | + 7.1                              |
| British Manufactured Goods Exports ... | 249.6               | 300.3               | + 50.7                             |
| Re-exports ... ... ...                 | 45.7                | 59.4                | + 13.7                             |
| Total Exports ... ... ...              | 365.8               | 445.1               | + 79.3                             |
| Visible Trade Balance ... ... ...      | -242.2              | -296.8              | - 54.6                             |

Compared with last year, the surplus of imports over exports has risen by £54.6 millions, and by the end of the year the increase may amount to £70 or £80 millions. This does not mean, however, that our adverse balance of payments (£19 millions in 1936) will be increased by the same amount, for there have also been important increases in several of our invisible exports. Thus net earnings of British shipping should be substantially greater than in 1936, both because of the rise in freights and to a lesser degree because of the improvement in world trade. There should also be a further expansion in our income from overseas investments. It is still difficult to form a precise view of the final result, but it can already be said that the increase in our import surplus need not necessarily be reflected in our adverse balance of payments.

*Commodity Prices.*—British wholesale prices continued to fall during October, the net decline during the month being 1.8 per cent. Wheat prices are definitely higher than at the beginning of the autumn, and cotton prices became steadier towards the middle of October, but there have been further declines in non-ferrous metal prices. American wholesale prices also fell during the month, but French wholesale prices are some 5 per cent. higher than at the beginning

of September, this being due to the September depreciation of the franc.

September witnessed a relatively sharp increase in the official cost-of-living index number from 55 to 58 per cent. above the pre-war level. This movement was partly seasonal, but it probably also represents a real increase. Four years ago the index number stood at 41 per cent. above the pre-war level, this being the lowest post-war figure recorded for the end of September. Since then the increase has been almost exactly 12 per cent. Retail food prices rose during September from 40 to 43 per cent. above their pre-war level, this movement being again partly seasonal. Four years ago they were 23 per cent. above their pre-war level, so that they have since risen by 16.3 per cent. Wholesale food prices have risen during the same four years by 26 per cent.

## Home Reports

### The Industrial Situation

Home trade remains good, and the autumn revival has made normal progress. September recorded a further small improvement in employment. The heavy industries continue to work to capacity, and there are indications that the fears of a set-back in the building industry have been exaggerated. Consumption equally is well maintained, for the September returns of retail trade show an improvement in value of 8·6 per cent. over September of last year. Other indicators such as the demand for industrial chemicals, raw material imports and electricity production show that on the whole activity is well maintained. The recent rise in railway rates makes it difficult to draw any definite conclusion from the October goods traffic returns, but there is no sign of any real set-back.

So far as current trade is concerned the position is thoroughly satisfactory. On the other hand there are here and there signs of a falling-off in new orders. If this is only a temporary pause it will be harmless, for most manufacturers now have good order-books, but should it continue it will be another matter. Further analysis suggests that the recession in the demand for new commercial tonnage is due to the rise in costs, but here new Admiralty orders will help to fill any gap. New business in cotton yarn and cloth has naturally been affected by the further fall in cotton prices, while the woollen industry has also been affected by the decline in the price of raw wool. These are isolated instances, but they embrace several important industries. Still, these developments must not be exaggerated, especially as they may prove temporary.

Abroad the American outlook is again less settled. The break in the stock markets, the fall in commodity prices and political uncertainties are all having their effect, while the rise in production costs and the present difficulty of raising new capital are also adverse influences. News from the Empire remains good. On the Continent, conditions in France are still uncertain, but elsewhere trade continues good. Conditions in the Far East have naturally been upset by the Chinese-Japanese war. The general conclusion to be reached

to-day is that the past few months' heavy fall in security and commodity prices is having some effect upon new business, but that so far there is no set-back in employment, production or consumption.

## Agriculture

*England and Wales*.—According to an official report at the beginning of October corn crops were free from disease, and the quality and condition of the grain were good. The estimated yields per acre of wheat, barley and oats at approximately 15 cwt., 14 cwt. and 14½ cwt. respectively, are below the ten years' average. The yield of main crop potatoes is forecast at about 6½ tons, which is equal to the final estimate for the ten years 1927 to 1936. The yields per acre of turnips and swedes for stock feeding or seed, mangolds and sugar beet, estimated respectively at 11½ tons, 17½ tons and 8 tons, are below average. Autumn cultivation is well forward. Cattle and sheep have done well, and are being marketed in fair condition. Milk yields are above average.

*Scotland*.—Estimates of the season's grain crop place wheat at 112,000 tons, barley (including bere) at 77,000 tons and oats at 684,000 tons. Reports on potatoes are generally rather unfavourable, and there appears to be a certain amount of disease. A forecast, based on estimates, gives the total production at 895,000 tons. Sugar beet promises to be quite an average crop. In the produce market, wheat has been in fair supply and easier, and barley and oats steady. Potatoes have met a slightly better trade, with Great Scot 65s., and Kerrs Pink 70s. per ton on rail. In the livestock markets all classes of cattle and sheep have been in demand, with prices steady.

## Coal

*Hull*.—Collieries are well stemmed for all qualities of coal and coke for this year, and prices are being maintained without difficulty at high levels. For 1938 there is also a fair enquiry. Demand from abroad has slackened, but contract shipments are absorbing heavy tonnages. The reluctance of foreign buyers to pay current prices is attributable to cheap quotations for subsidised coal from other producing countries, especially where we have no Trade Agreement.

*Newcastle-upon-Tyne*.—Demand has been slow, owing to the scarcity of tonnage in certain directions, and heavy stocks abroad, steam and gas coal being particularly slack. Graded coal and bunkers are steadier. Forward enquiry is better, and sellers are not inclined to discount recent prices. Coke has been a good market. Stocks are low and only limited supplies are available for export.

*Sheffield*.—Industrial fuels continue in strong demand, and outputs are being steadily increased. The export coal market remains good on the whole, and prices are firm. The household fuel market is slightly below normal.

*Cardiff*.—With the exception of a few favoured kinds new business in the South Wales coal market is scarce. The general undertone is consequently easier, and some collieries are now looking for prompt orders. Stocks are not heavy, and prices are being maintained, but many forward buyers prefer to hold, rather than to cover their requirements at present prices. Washed smalls and graded coals are still scarce, and coke is also a strong market.

*Newport*.—Foreign coal shipments during September totalled 198,000 tons, compared with 172,000 tons in August and 136,000 tons in September, 1936. Dock shipments foreign and coastwise amounted to 254,000 tons, against 221,500 tons in August and 211,000 tons a year ago.

*Swansea*.—The tone of the anthracite market has been quite good. Most qualities of large are in good demand and command full quoted prices. Sized coals have been a little irregular, but all the inferior qualities are still moving satisfactorily. Pea nuts and peas continue in strong demand, but culm and duff are quieter. The steam coal market remains busy and prices are steady.

*East of Scotland*.—There is practically no change in the position as regards both Fife and the Lothians. First class steams continue to move off as produced. The demand for washed fuels is maintained, except that trebles continue to be rather neglected.

*Glasgow*.—Foreign enquiry for Scottish coal is still very restricted. The weakness of the export market is accentuated by the difficulty experienced by exporters in finding markets for coal which they bought speculatively a considerable time ago. Stocks of some qualities at the collieries' sidings are

large, and short time is therefore unavoidable at some of the pits, owing to the scarcity of empty waggons. In Ayrshire all classes of large coal are heavily stemmed, and collieries are disposing of their outputs practically without any difficulty. Lanarkshire collieries, which are more dependent upon a home outlet for their production than those in other areas, are in need of orders for most qualities of round coal. Other sizes are in good demand in all districts.

### Iron and Steel

*Birmingham.*—Works are very fully booked and stringency in some directions still exists, particularly in the demand for constructional requirements. In other branches there is a slightly easier delivery position, and pig-iron is in distinctly better supply. Arrivals from the Continent, America and Canada of pig-iron, semis, and finished material during the last quarter, coupled with continued pressure for outputs at home, should give relief and bring supply and demand nearer normal. The heavy industries remain particularly buoyant in spite of heavy price set-backs in practically all other markets.

*Sheffield.*—All branches of the steel industry, from the basic steel trade up to the higher grades of high speed steel, continue to be employed to capacity, and order books are overloaded. The position in the raw material market seems a little easier, but there is still room for improvement.

*Tees-side.*—Iron and steel manufacturers are restricting the tonnage of new orders booked wherever possible, as they have heavy forward commitments which will absorb most of their output until well into next year. The position in the pig-iron trade is better, particularly in the East Coast hematite section where consumers are receiving practically the whole of their current requirements. The shortage of Cleveland foundry iron is still pronounced. High freights on ore cargoes and advancing coke prices are adding to production costs. Steel makers are subject to heavy pressure, particularly from structural engineers. Re-rollers are obtaining better deliveries of semis, but imports remain disappointingly low. Sheet makers have sold the whole of their output over the next few months, and rail and plate mills are assured of steady employment for a considerable period.

*Walsall*.—Malleable ironfounders are very busily employed, but are hampered by the uncertainty of obtaining adequate supplies of raw materials, and by rising prices. The tube trade is still working to full capacity.

*Swansea*.—The tone of the tinplate market was easier during September, owing, no doubt, to the uncertainty caused by the fall in the prices of base metals. The works were well booked, however, and were employed at approximately 76.72 per cent. of capacity.

*Glasgow*.—Iron and steel works in the West of Scotland are very active. Although Continental and American markets are weaker, and new business in British steel is of restricted volume, steel makers are unperturbed as sufficient orders have already accumulated to permit of full outputs for some months ahead. A considerable portion of the steel output is being used in various forms by makers of equipment for houses, which are being built in the carrying out of important schemes in various parts of the country. In the sheet making and steel re-rolling industries, supplies of raw materials are obtainable with less difficulty than for some months past, owing to increased imports from the Continent. Demand for all descriptions of pig-iron is well maintained, and stocks in makers' yards are negligible. Foundries in the Falkirk area are, however, quieter and there has, therefore, been a slight decrease in the demand for foundry iron. The number of furnaces in blast is sixteen, eight of which are producing foundry, seven hematite and one basic qualities.

## Engineering

*Birmingham*.—Activity continues at a high level in almost all sections, and output generally is greater than a year ago. Constructional engineers have important contracts in hand. Motor manufacturers and makers of motor and aircraft components and accessories are busy. Electrical equipment manufacturers are also maintaining a high output. There has been a slight recession in certain classes of tubes.

*Bristol*.—In the constructional section there has been little change recently, but as compared with a year ago the position has improved, in spite of difficulties regarding the shortage of raw materials. Aircraft and general engineering firms have been extremely busy. The position in the building industry is also generally satisfactory.

*Coventry*.—Rising costs of raw materials are causing some concern. Large orders for post office equipment are on hand, and engineering firms are increasingly busy.

*Leicester*.—Home trade is good, but conditions in the export trade are still unsatisfactory. Most sections are working to full capacity.

*Manchester*.—All firms continue to be extremely busy, mainly on Government contracts. Orders are also coming in from export countries, chiefly in the British Empire. Prices of materials tend to rise, and deliveries are very uncertain.

*Sheffield*.—The general engineering trades are well employed, and orders on hand ensure that there will be no slackening off for a considerable time ahead. Skilled labour is at a premium, and many workers once retired, have been called back into commission. All sections of the tool trade continue to work at full pressure, and in spite of the greatly improved productive capacity difficulty is found in coping with the demand. Exports show a substantial increase over a year ago.

*Wolverhampton*.—Engineering firms remain uniformly active. Constructional material continues to be in excellent demand. In the motor trade auxilliary firms are busy, and makers of vehicles have satisfactory orders on hand.

*Glasgow*.—The Clyde shipbuilding industry remains very satisfactory. There are close on 100 mercantile vessels on order at present, representing a gross tonnage of 450,000 tons. The Clyde area's share of the Admiralty work represents about 30 per cent. of the total work in progress in Great Britain, and more naval contracts are expected to be assigned before the end of the year. There has, however, been a slackening in new mercantile orders, partly seasonal, but mainly due to the sharp rise in costs brought about by the increased prices of steel and other materials.

## Metal and Hardware Trades

*Birmingham*.—Activity continues in the hardware and hollow-ware trades. The rolled cold brass and copper sections are not quite so busy as they have been recently, and fairly heavy stocks are being held.

*Wolverhampton*.—Hardware is in steady demand, but fresh business in the lock trade is not up to the volume of

the past six months. Hollow-ware makers are well situated, and seasonal influences are increasing the output.

*Sheffield*.—The cutlery, E.P.N.S. and sterling silver trades have remained very active, and immediate prospects are promising. Recent wage advances and the increase in the price of raw materials have caused a small increase in prices, and further increases are expected.

*Walsall*.—Business in hardware is well maintained.

### Chemicals

The home market has been steady, with activity centred mainly in industrial chemicals. Wood distillation products have continued in good demand, and business in pharmaceutical and other fine chemicals has been average for the time of year. Enquiry for coal tar products has been fair, but actual orders placed are small. There has been a fairly general improvement in the export market.

### Cotton

*Liverpool*.—The cotton market was surprised on October 8th by the remarkable increase in the Bureau estimate of the American cotton crop for this season. The figure, at 17,573,000 bales, was higher by about 1,500,000 bales than that published a month earlier, and the yield per acre of 249.3 lbs. constituted a record. The good crop conditions in the United States had been responsible for a fall of 2d. per lb. in the price of cotton since July 1st; the accentuation of the "bearish" tendency by the Bureau report was responsible for a further decline of about ½d. per lb. to 4.32d. for January delivery. The closing price on October 19th was 4.65d. per lb. A good general turnover has been experienced on the "spot" market, and the forwardings of American cotton to the mills of the world show increases for the first time this season.

*Manchester*.—The home market in cotton yarns is fairly good. Foreign buyers are standing off, however, and export business is quiet. In the cloth market there is a considerable amount of enquiry, but buyers are making few purchases. They are waiting to see if the considerable fall in raw cotton, which has recently taken place, will be followed by a lowering of prices for the manufactured article. Operations are very limited in all markets, especially India, where, although enquiry

is broadening, bookings are small, as buyers' prices are not practicable. A more stable market in the raw material will be necessary before the many enquiries can be translated into actual business.

## Wool

*Bradford.*—There is a slightly better tone in the market, and prices have risen. Buyers, however, seem to be holding back until prices are settled. The hosiery section is improving.

*Hawick.*—Most of the Border tweed mills are on short time. The uncertainty of the international situation has had an adverse effect on demand from abroad, and manufacturers are at present largely dependent on the home market. This is keeping up wonderfully well, particularly as regards purchases for the retail trade. The hosiery section is also quieter, the only bright feature being the steady demand for goods for outerwear. Spinners and dyers, reflecting the prevailing tendency, are quiet. The possibility of prices falling still further explains the continued dullness in the wool market.

## Other Textiles

*Dundee.*—All sections of the jute market are quiet. Prices are more or less nominal, owing to the slack conditions. Raw jute is slightly easier, but spinners are difficult to interest.

*Dunfermline.*—The position of the raw material is causing a great deal of uncertainty in the Fifeshire linen trade, where purchases are being made largely from hand to mouth, and conditions are at present very disappointing. Spinners are badly in need of orders, but find no inducement to operate. The market for yarns is more or less idle.

## Clothing, Leather and Boots

*Bristol.*—In the clothing trade the seasonal slackness continues, but an improvement is expected in the near future. Business in boots and shoes is satisfactory.

*Leicester.*—Underwear and outerwear sections of the hosiery trade are extremely busy, and a good winter season is expected. Imports of stockings and hose in September were less than in the previous month, but above those of September, 1936. Imports of underwear showed a decline on both the previous month and a year ago. Home trade in boots and

shoes is moderate, but export trade is still very restricted. Prospects are, however, quite good.

*Northampton*.—Demand for medium and cheap class boots and shoes is still hampered by the uncertainty of the future price of the raw material. Enquiries and orders for better class footwear are steady. Business accruing from the recent Shoe and Leather Fair was, on the whole, satisfactory. Leather prices continue firm.

*Walsall*.—Tanners are fully engaged, and prices are well maintained. Manufacturers of fancy leather and gloves are very busy with seasonal orders.

### Shipping

*Bristol*.—Trade has improved. Arrivals and imports, foreign and coastwise, during September showed an increase over September, 1936. Imports of petroleum and wood pulp continue to advance, and most of the other principal commodities are average. Stocks of grain in the Port Authority's warehouses have substantially increased, while stocks of other goods remain normal.

*Hull*.—Quite a large amount of export business has been transacted on an f.o.b. basis. Enquiry for tonnage on this market is consequently limited. Rates for all directions are a little weaker.

*Liverpool*.—Chartering from the United Kingdom coal ports is on a quiet scale, with rates about unchanged. For River Plate homewards the tone is steady, and demand continues to improve. North and South Pacific ports are dull, while Gulf and Atlantic-America rule about unaltered for grain. Elsewhere conditions show no appreciable change.

*Newcastle-upon-Tyne*.—The freight market is weak, rates ruling in favour of shippers in every direction. West Italy rates dropped 2s. within a few days during October. On this basis tonnage is freely offered, and business is low.

*Southampton*.—Increases under all headings were again recorded by shipping traffic during September, which compares very favourably with a year ago. During the first nine months of the present year the volume of shipping accommodated was 6 per cent. in excess of the amount during the corresponding period of the record year 1936. The quantity of timber imported in the current season has been exceptionally heavy.

*Cardiff*.—With a smaller demand, and more seasonal tonnage offering, the freight market has been easier. The undertone is, however, steady at the lower rates.

*Newport*.—Freights have been firm in many markets owing partly to the increased demand for tonnage, and partly to the virtual withdrawal of Spanish tonnage. The trouble in the Far East has already affected export trade to that region. The Harbour Commissioner's Returns show that the total in and out trade of the port has not been exceeded since 1931.

*Swansea*.—The freight market has been very quiet, and even for coasting directions very little business has offered. Owners are offering tonnage very slowly, and rates have consequently improved slightly and are being firmly maintained. For the Bay and Mediterranean directions orders are scarce, but rates are firm.

*East of Scotland*.—There were just about a dozen vessels on loading turn at the Forth coaling ports at mid-October. Leith dock returns for September showed increased imports in most directions, grain being up by 13,060 tons, but many exports were lower. Enquiries in the freight market have been scarce, with business quiet all round and rates unchanged.

*Glasgow*.—Demand is quiet in the coal freight market. A few boats are wanted for discharge at Baltic ports, chiefly Danish, and as offers are plentiful this section is easy. Very few orders are quoting elsewhere, and business is not sufficient to test rates effectively.

## Foodstuffs

*Liverpool, grain*.—The wheat markets of North America have been relatively weak, and the volume of forward trading has been light. Some selling pressure has been in evidence from Russia, and Black Sea and Danubian ports have contributed some 30 per cent. of the world shipments of 10 million quarters for the season to date. Weather conditions in Canada, Argentina and Australia have been fairly satisfactory, and good rainfalls are reported from most centres. Prices on the "futures" market have given way to 8s. 7½d. per cental, after an advance of 6d. per cental early in the month. The market for shipment positions in maize has been generally steady in tone. Prices have fluctuated little during the month, and closed almost unchanged at 6s. 1½d. per cental.

*Liverpool, provisions.*—The holiday demand for Continental bacon has ceased, and prices are, in consequence, a little easier. Supplies of American hams are still scarce and the market steady. The good demand for canned meats continues, and there is a moderate demand for canned fruits, with very little fluctuation in prices. Short supplies have caused an active market in Continental and Empire lines of butter at firm prices, while the "spot" market in lard is small, and prices erratic in sympathy with Chicago.

### Fishing

*Brixham.*—Landings of wet fish during September amounted to 4,443 cwts., valued at £6,206, compared with 3,745 cwts., valued at £5,721 for August. Good demand has maintained prices at a higher level than those ruling at other ports.

*Hull.*—Landings for September have been disappointing. After the expiry of the British embargo on Bear Island fishing, catches from these grounds were expected to be good, but proved much below expectations. Supplies have, therefore, been short, and prices remained high. An improvement was, however, noticeable towards the end of October.

*Penzance.*—Long-line fishing remains good. Catches of turbot have been excellent, and prices are well maintained. The pilchard season is coming to an end, although a number of boats were still bringing in fair catches at mid-October. Several boats have now gone to Lowestoft for the herring season.

*Scotland.*—Reports from East Anglia, where most of the larger vessels are at present, tell of restricted landings which have realised good prices. There are indications that demand on Continental account, particularly from Germany, is likely to be better this year, and that there is not much danger of curers being left with stocks on their hands. Landings of white fish round the Coast have been good on the whole, and prices are satisfactory.

### Other Industries

*Carpet-making.*—Kidderminster reports that the carpet trade is not so flourishing as it has been for the last year or two, and some manufacturers are on short time. Orders are

especially slack for Gripper Axminster Loom qualities and Wiltons. Makers of spool Axminsters are working full time, but there is a shortage of enquiries for chenille Axminster qualities both in carpets and rugs. Foreign carpets are coming into the country in exceptionally large quantities. Wool prices have declined somewhat, but jute has advanced. Empire trade has also fallen off slightly, but traders filled their requirements for some months ahead before the advance in prices which took place in July last.

*Paper-making and Printing.*—Bristol reports that full time is being worked in the paper-making section. The Avonside Paper Mills, which have been closed for 14 years, have been reopened, and a considerable trade is anticipated. Employment in the printing trade is satisfactory.

Edinburgh reports that the local paper mills are still very busy, but deliveries are now being made a little more quickly. Apparently "panic" buying has ceased, at least for the present. In the printing trade all sections are stated to be doing good business, and employment is satisfactory, but the industry is not really overburdened.

*Timber.*—Hull reports that during October importers found the re-selling of soft wood to their inland buyers somewhat more difficult. On the other hand the Russian balances are now practically cleared, and owing to the fact that these sellers have had tonnage difficulties, the larger importers have been able to obtain some price concessions, varying between 10s. and 25s., according to the quality purchased. For ordinary small contracts the Fourth Schedule of Prices, on which unsorted and 3rds 7" Battens cost £18, c.i.f., is still maintained. Scandinavian sellers, however, are not offering any large quantities at reduced prices, and such little reductions as they have made apply only to small clearance lots, consisting mainly of sizes which are less readily saleable.

Newport reports that pitwood imports declined during September. Arrivals totalled 3,000 fathoms, compared with 3,833 fathoms and 3,050 loads in August, and 3,100 fathoms in September, 1936. Other timber imports amounted to 2,900 loads, against 1,400 loads in August, and 3,300 loads in September a year ago. For the first nine months of this year imports at 123,000 tons are 38,000 tons above last year's level.

## Overseas Reports

### Australia

*From the National Bank of Australasia Limited*

Trade and industry continue to expand, but the general high level of prosperity is not conducive to further rapid progress. Seasonal conditions deteriorated during September, but October rains have been beneficial. Excellent rainfalls in Victoria and moderate falls in New South Wales make prospects for production of wool, wheat and butter satisfactory. General rains, however, are required in West Australia and Queensland. Company profits show further expansion. The Stock Exchange is steady, with Industrials and Consols at a slightly lower level, but base metal shares are reflecting oversea prices for metals. Exports for two months total £17,000,000 sterling, and imports £18,000,000 sterling, compared with exports £12,000,000 and imports £16,000,000 sterling for the similar period last year.

### Canada

*From the Imperial Bank of Canada*

Economic indices are well maintained and business activity is about 10 per cent. above a year ago, but there are indications of a levelling off after five years of recovery. In some directions there are signs of a recession. International tension is having some effect on business sentiment, but there is more concern about the prospects for export trade, particularly as regards the American market. It is generally felt that there is little indication that recovery has yet run its course, but at the same time it is realised that rising costs, particularly labour and taxation, are becoming a potent factor.

The smallest wheat crop for many years has been largely offset by higher prices, and except in the drought area of Saskatchewan, Western Canada's purchasing power has been maintained. Otherwise agriculture is in a prosperous state. Retail trade is substantially above a year ago, and the movement of general merchandise continues large. The price level is well maintained despite the decline in non-ferrous metals. Employment has further improved, especially in food and textile plants. Lumber exports continue high in spite of increases in shipping rates. Building and construction are uncertain, waiting on future developments.

## India

*Bombay*.—Owing to the large American cotton crop and poor demand generally, on account of the international political situation, a further gradual decline in cotton prices has occurred in foreign markets. Bombay resisted for a time, but the persistent decline in America caused heavy liquidation and prices dropped on general selling. A later cable states that the price is temporarily steady. In the piecegoods market the hopeful tone still prevails, though without any improvement in conditions. Movements in British goods are small. Declining cotton has checked trade, and Manchester's firmness has prevented forward business. The market in Japanese goods has been busy. Bleached goods started well, but later, owing to fresh arrivals and lower cotton prices, became rather inactive. Offtake in local goods has been satisfactory, with an improved tone. A later cable states that a revival is expected as consuming centres need goods. The yarn market was reasonably active at the beginning of October but a quieter feeling followed the decline in cotton. Later, with sellers predominating, yarns were steadier. Manchester and Japan are firm, making forward trade impracticable. Consuming centres are reported to be in need of goods, and if cotton is steadier conditions will improve.

*Calcutta*.—The raw jute market has been very quiet. In baled jute a fair amount of business has been transacted for September and October shipment. Up-country markets have been very steady, with normal imports. The full crop has been harvested, and it is estimated that 35 per cent. has been sold. In hessians the gunny market is quiet, with overseas demand negligible. Bazaar operators are somewhat nervous of entry into new commitments, as there is no demand from consuming centres and Calcutta stocks are increasing. The market for heavy goods is also quiet. The shellac market has been stagnant, with foreign demand negligible. New York is still out of the market. Owing to the usual October delivery liquidation, London prices fell. Approximately 85,300 packages of tea were offered for auction between September 15th and October 8th, demand being strong and the price trend upwards. It is expected that later in the year prices will fall. The hides market is quiet, the

season not yet having started. In skins, foreign business is very small and although both stocks and arrivals are increasing prices have not yet fallen enough to interest shippers.

### Burma

*Rangoon.*—The rice market has been steady under local influences. There is practically no demand for old crop rice. A large bear position has still to be covered, and local operators are now bullish. European shippers have shown no interest in the new crop at its present price. On the European timber market there has been a larger volume of enquiry, but business done is small. In India the demand for squares and the more popular scantling sizes continues and prices are firm. In hardware there has been a disturbing lack of demand, attributed to the late rains keeping cultivators in the field. Prices have weakened although replacing costs are maintained.

### Irish Free State

Weather conditions during September favoured the growth of pastures, which were unusually heavy. The hay crop has bulked well and is of good quality. The harvesting of the wheat crop took place under satisfactory conditions. The grain was generally of good quality and the bushel weight high. The area sown, 223,000 acres, was, with the exception of last year, the largest since 1868. The oats crop is expected to give an average yield, and barley similarly promises well. Root crops are generally good with the exception of sugar beet, the final yield of which is likely to be below average. All classes of livestock are reported to be healthy and in good condition. Prices have shown an easier tendency, although demand continued strong. Trading in all classes of sheep was active, demand for good breeding stock being particularly keen.

### France

*From Lloyds & National Provincial Foreign Bank Limited*

The adverse visible trade balance for the first nine months of this year was Frs.13,283 millions, compared with Frs.6,766

millions last year. This increase is due largely to heavier imports of raw materials. The trade returns are summarised below :—

|                       |     | First 9 months<br>1936 | First 9 months<br>1937 | Difference      |
|-----------------------|-----|------------------------|------------------------|-----------------|
|                       |     | Fr. mill.              | Fr. mill.              | Fr. mill.       |
| <i>Imports—</i>       |     |                        |                        |                 |
| Foodstuffs            | ... | 5,305                  | 7,511                  | + 2,206         |
| Raw Materials         | ... | 9,453                  | 17,886                 | + 8,433         |
| Manufactured Articles | ... | 2,675                  | 4,729                  | + 2,054         |
| <b>Total</b>          | ... | <b>17,433</b>          | <b>30,126</b>          | <b>+ 12,693</b> |
| <i>Exports—</i>       |     |                        |                        |                 |
| Foodstuffs            | ... | 1,618                  | 2,310                  | + 692           |
| Raw Materials         | ... | 3,039                  | 5,990                  | + 2,951         |
| Manufactured Articles | ... | 6,010                  | 8,543                  | + 2,533         |
| <b>Total</b>          | ... | <b>10,667</b>          | <b>16,843</b>          | <b>+ 6,176</b>  |

It will be seen that the franc value of imports has increased by approximately 73 per cent., while that of exports has increased by 58 per cent., as compared with the first nine months of last year.

The number of registered unemployed on October 9th was 310,623, compared with 411,536 at the same time last year.

Railway receipts from January 1st to September 30th are given below. These show an increase of Frs.1,393 millions, or 19 per cent. compared with the same period last year. It must be remembered, however, that railway charges were considerably increased on July 20th last.

|                     |     | Receipts<br>(Fr.000 omitted) | Difference as<br>compared with<br>last year |
|---------------------|-----|------------------------------|---|
| Alsace and Lorraine | ... | 628,600                      | + 160,135                                   |
| Est                 | ... | 1,246,217                    | + 226,231                                   |
| Estat               | ... | 1,378,091                    | + 197,659                                   |
| Nord                | ... | 1,367,300                    | + 260,934                                   |
| Orléans and Midi    | ... | 1,636,928                    | + 149,171                                   |
| P.L.M.              | ... | 2,438,560                    | + 399,340                                   |
| <b>Total</b>        | ... | <b>8,695,696</b>             | <b>+ 1,393,470</b>                          |

The negotiations for a Swiss loan to the French railways were concluded on October 14th. Arrangements have been made for Sw.Frs.200,000,000 to be issued in Switzerland,

for a period of two years, at the rate of 4 per cent. Frs.130 millions of this loan have been offered to the public at 99.

The cost of living in Paris continues to rise, as will be seen from the latest official figures.

| Retail prices of 34 household requisites<br>(1914=100) |     |     |     |     |
|--|-----|-----|-----|-----|
| 1936, May  | ... | ... | ... | 459 |
| 1936, September  | ... | ... | ... | 494 |
| 1937, September  | ... | ... | ... | 642 |

Compared with a year ago, the increase is 30 per cent., and compared with May, 1936—the date immediately prior to the introduction of the new social laws—the increase is nearly 40 per cent.

During the past month markets reflected the confidence in the improvement of the internal situation. Internationals fell, influenced by external factors. Raw materials also declined and rubbers were dull. Gold mines remained firm. The Bourse remains inactive and the recent reaction in New York and London has had a depressing effect on all sections. The declines registered, however, have been less severe than those on the other markets.

*Le Havre.*—There has been a good turnover in coffee futures, prices for near months reflecting the course of the spot exchange. Liquidations of speculative positions have brought prices rather lower than those ruling a month ago. Demand from the interior has continued good, and stocks here awaiting clearance are again lower at 635,000 bags.

The latest forecast of the cotton crop by the U.S. Department of Agriculture (17,573,000 bales) shows a further large increase, the yield being the highest ever recorded. Prices have partially recovered from the fall which followed the publication of the report, and the reduction in the premium on forward exchange has greatly diminished the price spread between near and distant months. It seems likely that better consumption figures will have more influence on prices in the near future than small differences in the final crop figures. In spite of fairly good deliveries stocks have risen to 159,000 bales, of which 75 per cent. is from U.S.A.

*Lille.*—Business in cotton continues quiet and recently has been adversely affected by currency movements. Doubts concerning future price levels, in view of the latest crop

reports from America, tend still further to slacken demand. Lower prices for the raw material are generally welcomed as compensating for high manufacturing costs. For the time being the depreciation of the franc has to some extent offset the fall in cotton prices, and little interest is shown by buyers in the home market. Activity even in the better-placed hosiery trade appears to be slowing down. The mills continue to work a full week, but delayed deliveries to the trade and the possibility of further wage increases render the future obscure and uncertain.

The situation in the flax section remains unchanged. Prices are lower but are still considered too high, particularly in view of the recent falls in the prices of other textiles. Spinners are reported to have ample stocks for near requirements and, with demand from the weavers showing no improvement, they are content to continue working on a reduced scale. Weavers are generally apathetic. Business with the trade is poor, and the large contracts recently placed by the Military Authorities are particularly welcome.

*Roubaix.*—Quotations for tops were firm at the beginning of the month, but later, owing to the improvement in the political situation and the rise in the franc, prices declined. There has been a small demand for all qualities of merino and crossbred, but with prices falling, buyers are now standing off. Business in noils remains quiet. Very little raw wool is arriving and many combers are still working not more than about 50 per cent. of normal. Next month there should be an improvement, when a part of the new clip arrives. The spinning section remains depressed. New orders are few and most spinners are working not more than 32 to 36 hours a week. Demand for medium and low class piece goods is better than for finer cloth, and there is more activity in men's wear than in dress goods. The carpet trade shows some improvement, with a small demand for export. Difficulty is still being experienced in all sections in getting the high prices accepted. Stocks of tops at 7,694,000 kilos show a small increase on the month but are 4,271,000 kilos less than a year ago. It is feared that in view of the further rise in the cost of living, wages will have to be increased by 10 per cent. at the end of the year. Unemployment figures show little change.

## Belgium

*From Lloyds & National Provincial Foreign Bank Limited*

**Antwerp.**—Commercial markets have generally shown a downward tendency. Cereals, however, remained relatively firm, but there were heavy fluctuations from one day to another. There has been considerable activity on the wool market owing to an abundance of selling orders and more or less forced liquidations. Prices have consequently registered big variations. Prices on the Stock Exchange have fallen violently, and even Belgian Government Bonds, which remained remarkably firm over the past months, have reacted to a certain extent owing to heavy sales.

**Brussels.**—The iron and steel market is quiet. Export business is limited, and buyers hesitate in the hope that prices will be reduced. The most important factor, perhaps, is American competition, which has been attracted by the prices imposed by the steel cartel.

There is little change in the coal trade and business remains very satisfactory. Domestic qualities are strongly demanded, particularly anthracite, and each day sees a bigger demand for industrials, particularly from public utility undertakings. The slight falling off in French demand for industrials has been more than compensated by increased sales of house coal.

## Germany

The seasonal winter decline in employment has not yet appeared, and unemployment figures actually fell in September by about 40,000. The world-wide collapse in security prices was scarcely felt in Germany, quotations having remained steady and relatively high, though dealings did not increase. The index of 4½ per cent. bonds was 99.36 at the end of September against 96.18 a year earlier, while the shares index was 114.7 against 104.3. The fall in share prices during October was slight. Most branches of industry are getting used to the Four Year Plan, and economic isolation and State control of production and prices are no longer a novelty. Business circles are unconcerned about international discussions of any possible set-back in the world trade. Devaluation of the mark, after having been much discussed in private a few months ago, is no longer a live issue. In spite of its many

difficulties the system of a double currency has turned out to be advantageous to state planning. Figures of industrial production and consumption continue favourable. Sales of motor vehicles are steadily increasing. Foreign trade remains a difficulty, in spite of September's export surplus of Rm.32 millions. Imports are still inadequate to keep German industry on a full employment basis. The following table summarises the trade returns for the year, in comparison with earlier years :—

|                 |               | Imports | Exports | Total          | Balance |
|-----------------|---------------|---------|---------|----------------|---------|
|                 |               |         |         | (Rm. millions) |         |
| Monthly Average | 1913 ...      | 898     | 841     | 1,739          | — 57    |
| "               | 1929 ...      | 1,121   | 1,124   | 2,245          | + 3     |
| "               | 1931 ...      | 560     | 800     | 1,360          | +240    |
| "               | 1933 ...      | 350     | 406     | 756            | + 56    |
| "               | 1935 ...      | 347     | 356     | 730            | + 9     |
| "               | 1936 ...      | 352     | 397     | 749            | + 46    |
| 1937            | January ...   | 336     | 415     | 751            | + 79    |
|                 | February ...  | 347     | 406     | 753            | + 59    |
|                 | March ...     | 409     | 462     | 871            | + 53    |
|                 | April ...     | 477     | 492     | 969            | + 15    |
|                 | May ...       | 447     | 456     | 903            | + 9     |
|                 | June ...      | 504     | 481     | 985            | — 23    |
|                 | July ...      | 500     | 530     | 1,030          | + 30    |
|                 | August ...    | 482     | 541     | 1,023          | + 59    |
|                 | September ... | 462     | 494     | 956            | + 32    |

## Holland

Activity in the shipbuilding and mechanical engineering industries has been maintained at a high level during the last few months. Unemployment figures are well below last year's level, the small rise in August being partly seasonal. Wages show a definite tendency to rise. The budget for the next financial year shows a deficit of Fl.13,245,656, ordinary expenditure being estimated at over Fl.39 millions more at Fl.703,195,931, and revenue at Fl.689,950,275 or Fl.79 millions more. Making allowance for certain book-keeping changes the 1937-38 deficit really amounts to Fl.84,720,656. The deficit for 1936-37 was Fl.54,050,061, while those of 1935-36 and 1934-35 were Fl.36,702,922 and Fl.72,907,582 respectively. Defence provision totals Fl.110.4 millions in the ordinary service and Fl.41.6 millions in the capital service. The budget has, however, created a favourable impression, partly because the Government has drawn attention to its

defects and partly because it shows no departure from the conservative principles of its predecessors.

Wholesale prices declined slightly in September but are still well above last year's level :—

| INDEX NUMBERS OF WHOLESALE PRICES.          |            |               |              |         |
|---|------------|---------------|--------------|---------|
| 1926-30=100                                 |            |               |              |         |
|   | Foodstuffs | Raw materials | Manufactures | General |
| September, 1936...                          | 65.8       | 48.4          | 66.1         | 62.6    |
| January, 1937 ...                           | 73.3       | 69.3          | 74.2         | 73.0    |
| March ...                                   | 74.8       | 73.5          | 77.4         | 76.0    |
| June ...                                    | 73.3       | 70.8          | 79.6         | 76.3    |
| July ...                                    | 76.8       | 70.8          | 80.1         | 77.5    |
| August ...                                  | 77.5       | 69.9          | 80.3         | 77.6    |
| September ...                               | 77.0       | 67.9          | 80.1         | 76.9    |
| Decline in comparison with August, 1937 ... | 0.6%       | 2.9%          | 0.2%         | 0.9%    |
| Rise in comparison with September, 1936 ... | 17.0%      | 40.3%         | 21.2%        | 22.8%   |

September's foreign trade showed a considerable expansion, and the total of both imports and exports for the first nine months is well above the total for the whole of 1936.

The new capital issues market was very active in September and early October. The conversion of a 4 per cent. Netherlands East Indies Loan of Fl.912 millions into 3 per cent. bonds was initially not entirely successful but was subsequently completed. Following this various municipalities converted their loans. The money market became temporarily tighter, but later reverted to easy conditions. The Stock Exchange has been weak in sympathy with foreign exchange and the decline in commodity prices.

### Norway

The decline in imports recorded last month has been reversed. The trade returns are summarised below :—

|                    | Sept., 1936 | Aug., 1937 | Sept., 1937 | Nine months, 1936 | Nine months, 1937 |
|--------------------|-------------|------------|-------------|-------------------|-------------------|
|                    | Kr. mill.   | Kr. mill.  | Kr. mill.   | Kr. mill.         | Kr. mill.         |
| Imports ...        | 78.8        | 96.6       | 110.8       | 650.2             | 960.8             |
| Exports ...        | 61.8        | 63.3       | 73.7        | 476.7             | 586.4             |
| Import surplus ... | 17.0        | 33.3       | 37.1        | 173.5             | 374.4             |

Compared with the corresponding period of 1936, imports for the three quarters of the current year showed a rise of

Kr.310.6 millions or 47.7 per cent. Exports have risen by Kr.109.7 millions or 23 per cent.

The monthly index of industrial production, measured by the Central Bureau of Statistics (basis: 1st half year of 1933=100, adjusted for the varying number of working days), is returned at 139 for August—an increase of 17 points or 13.9 per cent. over August, 1936, and 15.8 per cent. above July, 1937, when there was a seasonal decline.

| Year | Home<br>Market<br>Industries |      | Export<br>Industries |      | Total of<br>Industries |      |
|------|------------------------------|------|----------------------|------|------------------------|------|
|      | July                         | Aug. | July                 | Aug. | July                   | Aug. |
| 1934 | ...                          | 98   | 111                  | 98   | 96                     | 98   |
| 1935 | ...                          | 96   | 112                  | 83   | 95                     | 91   |
| 1936 | ...                          | 108  | 133                  | 107  | 105                    | 107  |
| 1937 | ...                          | 119  | 149                  | 124  | 123                    | 120  |
|      |                              |      |                      |      |                        | 139  |

As usual at this time of the year the number of unemployed is increasing. The number of persons seeking employment in excess of vacant positions amounted to 25,431 in September as against 20,046 in August. The figures of September and August, 1936, were 28,122 and 23,477 respectively. (It is customary to add 60 per cent. to make up for districts having no labour exchanges.)

The national accounts for the fiscal year 1936-37 were recently published. They show a gross surplus of Kr.57.2 millions and a net surplus of some Kr.46 millions, as compared with a net surplus of Kr.18.8 millions for the budget year 1935-36. The large surplus is due to higher revenues. Total revenues for 1936-37 amounted to Kr.548.9 millions, which is some Kr.54.8 millions more than estimated. Total expenditures came to Kr.491.7 millions, which is higher by some Kr.8.8 millions than estimated.

The wholesale price index as at October 15th, 1937, was returned unchanged from the preceding month at 161 (Basis: 1913=100). The general index number of the cost of living as at September 15th, 1937, rose two points from the preceding month—from 168 to 170. (Basis: July 1914=100).

The hay and grain crops have now nearly all been housed and the result must be described as very satisfactory. Root-crops, on the other hand, are not so favourable. According to preliminary estimates, the various crops at the end of September amounted to the following percentage of an

average year (100): Meadow hay 106, green fodder 108, wheat 106, rye 99, barley 103, oats 107, mixed cereals 103, potatoes 86, turnips 91 and swedes 97.

The whaling expeditions have now left for the catching season in the Antarctic. According to estimates 31 floating factories, 2 land factories and 257 whale-catching boats will participate. Of these, 11 floating factories and 83 whaling boats are flying the Norwegian colours, while 10 floating factories and 91 whaling boats are sailing under British colours. It is further estimated that some 7,145 Norwegians will be employed. The Norwegian participation for the new season is smaller than for last season, as 4 floating factories have been withdrawn from the fields and will be employed only as tankers.

## Sweden

The timber industry is facing serious problems concerning next year's supply of lumber. The usual auctions of Crown forest timber have now begun, and while prices are higher than a year ago buying demand has been disappointing. Timber and pulp companies are more cautious, following these recent expansions in foreign markets. Uncertainty has increased, and prices of sawn timber have fallen considerably. The European Timber Exporters Convention recently decided to reduce next year's production of lumber by 10 per cent. in anticipation of reduced demand. Swedish timber companies are likely to exploit their own timber resources, where possible, rather than pay the present high prices. Furthermore, demands are being put forward for higher wages. The market has been quiet, dealings being almost exclusively confined to England. Negotiations are carried out on a c.i.f. basis, usually entailing a drop in f.o.b. value. Up to the middle of October total sales abroad amounted to about 775,000 standards.

The wood pulp market, including both sulphite and sulphate pulp, has been fairly dull. The entire 1937 output has been marketed, and only about 15 per cent. of 1938 production is still unplaced. Sales for delivery in 1939 amount to about 300,000 tons. Mechanical pulp has been firm, though there has been only one contract of importance—with England. The paper market has so far remained well placed, but buyers are beginning to show reserve. The price of

newsprint is unchanged. The supply of orders for Kraft paper has been about normal, but France's decision to re-introduce quota restrictions and fix a maximum annual import has caused some disappointment.

While the price-level in the iron market is unchanged it is showing signs of wavering and the supply of orders has decreased. It is believed that customers have accumulated heavy stocks. The output of the iron foundries for the first nine months is set out below:—

| Output  | First nine months, 1937 | Increase over first nine months, 1936 |
|---|-------------------------|---------------------------------------|
| Pig-iron ... ... ... ... ...                                    | 471,000 tons            | 43,400 tons                           |
| Quality castings ... ... ... ... ...                            | 390,800 "               | 73,700 "                              |
| Ordinary castings ... ... ... ... ...                           | 422,800 "               | 37,800 "                              |
| Rolled and forged commercial iron and steel ... ... ... ... ... | 575,700 "               | 80,800 "                              |
| Export of iron ore ... ... ... ... ...                          | 1,383,000 "             | 356,000 "                             |

The sales of ball bearings and roller bearings at the end of September amounted to Kr.3.6 millions as against Kr.2.7 millions by the same date last year.

## Denmark

Since November, 1936, the index of imported goods has been higher than that of export goods. In September the position was reversed, the export index having risen 7 points to 168, while the import index fell one point to 164. A year ago these figures were 156 and 138. Butter and egg prices have again hardened, butter having risen from Kr.245 to Kr.260 and eggs from Kr.136 to Kr.156. Bacon prices have fallen from Kr.192 to Kr.172. Exports of cheese to the United States have been increasing. In 1930 the total was 281 tons, in 1936 1,278 tons, and in the first half of 1937, 1,283 tons. The financial year closed with a surplus of Kr.27.4 millions, due to an excess of Kr.9.5 millions in revenue over estimates. For the current year expenditure is estimated at Kr.462.9 millions and revenue Kr.466.9 millions. At the end of September the unemployment percentage was 16.6 per cent., compared with 15.1 per cent. in August and 12.9 per cent. a year ago. The number of unemployed was 72,493. With the foreign exchange assets of the National Bank at Kr.26 millions and liabilities at Kr.16.4 millions, the

first beginning of a foreign exchange reserve has been made. On the Stock Exchange gilt-edged bonds are better, while shares, on the whole, are lower. The foreign trade returns are summarised below.

|                                    | September,<br>1937<br>Kr. mill. | First nine<br>months, 1936<br>Kr. mill. | First nine<br>months, 1937<br>Kr. mill. |
|------------------------------------|---------------------------------|---|---|
| Imports ... ... ...                | 170.6                           | 1,059                                   | 1,278                                   |
| Exports (including re-exports) ... | 148.3                           | 1,022                                   | 1,166                                   |
| Import surplus ... ...             | 22.3                            | 37                                      | 112                                     |

The State railways for the period April–August show a surplus of Kr.7.9 millions, converted by amortisation and interest payments into a deficit of Kr.0.3 millions.

## Switzerland

*From Lloyds & National Provincial Foreign Bank Limited*

During the last month the Swiss Bourses have felt the effects of the fall on the big international markets; nevertheless industrial shares, although on the weak side, have not shown any great decline, while Government bonds have been steady to firm. The most interesting financial event has been the Frs.200 million Loan for two years at 4 per cent., made by the Swiss bankers to the French railways, of which Frs.130 millions have been offered to the public at the price of 99 per cent. It is reported that the Federal Government looked very favourably on the loan, as it is desirous of getting rid of some of the foreign-owned floating capital, of which there is now a great quantity in Switzerland. The Canton of Geneva recently launched with success a fifteen-year  $3\frac{1}{2}$  per cent. loan at 97.60 for Frs.10 millions, to pay off higher interest-bearing loans called for redemption. The town of Geneva is also, for purposes of redemption, now offering for subscription a Frs.25 million loan repayable in 1957, at an issue price of 98 $\frac{1}{2}$ , bearing interest at  $3\frac{1}{2}$  per cent. It is expected that the issue will be quite successful.

The effects of devaluation have recently made themselves felt by increases varying from 25 per cent. to 50 per cent. in the rates for the winter heating of flats, due principally to the increased cost of fuel.

## Morocco

*From the Bank of British West Africa Limited*

Business conditions in the French zone of Morocco have been a little more active owing to the devaluation of the franc, resulting in heavier stocking of goods before prices reach their highest. Autumn rains have fallen early. Over most of the country they have satisfied agricultural interests. The shortage of supplies of cereals is being more felt, and barley and maize are being imported instead of exported. The controlled prices for barley and maize were discontinued as from September 10th, this resulting in sharp rises in local quotations. Seeds and eggs have remained in demand from abroad. Trade in imported goods shows some revival, but the buying power of the native is reduced, and the immediate outlook is not hopeful. Stocks of green tea are not large, but are considered to be sufficient for present needs. Recent orders for Japanese cotton goods have been limited during the past month, as prices are considered to be high. The local French post office announces arrangements for a C.O.D. Parcel Post business between Great Britain and French Morocco. Trade between Tangier and the Spanish zone has now completely ceased, through the closing to trade of the boundary by the Spanish Military Authorities. The harbour mole at Tangier has been repaired and is now estimated to be strong enough to withstand the roughest seas.

## The United States

The break in the Stock markets is the dominant factor in the American outlook. Security prices have fallen by anything up to 50 per cent., and the greater part of the rise in share values that took place earlier in the year has been neutralised. At present business conditions by no means fully justify this collapse, but there are signs that there may be a down turn in the near future. The Federal Reserve Board Index of the output of the manufacturing industries stood at 118 in August, which was as high as the spring peak, but in September the figure fell to 110, which is the same as a year ago. A recession in the capital goods industries is very largely responsible. The Undistributed Profits Tax has severely hampered internal financing of industrial expansion, and

recourse to the capital market is not at the moment feasible. Furthermore the general uncertainty has held up existing schemes for extensions and renewals, particularly in the use of the railways and public utilities. The sharp rise in costs, due to higher wages and the higher prices of raw materials, has cut profit margins, as it has not been easy to pass on price increases to the consumer. Building activity, which has lagged behind consistently, has been further reduced by these considerations. Nevertheless it must be remembered that the position is fundamentally far stronger than in 1929, particularly as regards agriculture. Business has reached a transitional stage, but provided the necessary readjustments can be made recovery is as likely as recession.

## **South America**

### *From the Bank of London and South America Limited*

**Argentina.**—The presidential election resulted in the return of Dr. Roberto Ortiz. Agricultural conditions in the Eastern districts are good, but although rain has recently fallen in the west, more is needed. Ploughing and sowing for maize are continuing normally. There has been a sustained upward movement in wheat prices, due to low stocks, forward prices for new wheat being much lower than the spot rate. Demand for maize is firm. Exports in September fell below those for September, 1936, but are well above the August level. Wheat shipments were the lowest for two years, most of the crop having been shipped in earlier months. The aggregate value of exports for the nine months is 65 per cent. more than in the same period last year, and has only been exceeded on two previous occasions, in 1920 and 1928. September is between-seasons for cotton and wool importers, but prospects are good. Competition from Japan is expected to be less severe. Italy is expected to be less successful in wool than in cotton. Customs duties have been suspended on machinery designed for the processing of local raw materials.

**Brazil.**—Business is quiet, but more confident following the recent declaration by the Government of a nominal "State of War" for 90 days. The "free" market value of the milreis has again declined, and exchange restrictions are being tightened. Future transactions are not permitted, cover for imports being sold only for prompt delivery. The reduction

in certain cases of the quota of export bills which must be sold to the Bank of Brazil has been officially approved. The coffee market is weak, arrivals being in excess of exports. Brazil's deliveries of coffee to world markets are contracting, being 435,000 bags less in the first three months of the current crop year, while deliveries from other countries expanded by 204,000 bags. The area under cotton is expected to be somewhat less next season. The cotton market is quiet.

*Uruguay.*—The recently authorised Public Works 1937 Loan has been increased by 2,500,000 pesos, but up to the present no new bonds have been issued. A special expenditure of 1,100,000 pesos on renewals of naval and military equipment is to be covered by a special issue of postage stamps. The weather has been dry and warm, and cattle camps are in good condition, there being no lack of pasture. The cattle market is dull. The wool season that has just closed is calculated to have produced a clip of 51,305,560 kilogrammes, of which there is practically no carry-over. The new clip is expected to be bigger and of better quality, though lower prices are anticipated.

### Japan

Business continues to be stimulated by war needs, and is very active. Industrial production is being intensified and concentrated on war requirements. Exports have been well maintained, all the major items except silk having increased. Imports, particularly cotton, tend to contract under State control. Stock markets are suffering from recurrent slumps, although prices have recovered a considerable part of their losses. The note circulation is rapidly expanding, but the money market is quiet.

**Statistics**  
**BANK OF ENGLAND**  
**Issue Department**

|                 | Note Circulation. | Govt. Debt. | Other Govt. Securities. | Other Securities. | Silver Coin. | Fiduciary Issue. | Gold. |
|-----------------|-------------------|-------------|-------------------------|-------------------|--------------|------------------|-------|
|                 | £ mn.             | £ mn.       | £ mn.                   | £ mn.             | £ mn.        | £ mn.            | £ mn. |
| End March, 1931 | 357.1             | 11.0        | 232.0                   | 12.9              | 4.0          | 260.0            | 144.5 |
| " " 1932        | 360.5             | 11.0        | 240.9                   | 19.3              | 3.8          | 275.0            | 120.8 |
| " " 1934        | 378.8             | 11.0        | 245.4                   | 0.1               | 3.5          | 260.0            | 191.1 |
| " " 1935        | 381.4             | 11.0        | 246.7                   | 0.2               | 2.1          | 260.0            | 192.5 |
| " " 1936        | 406.5             | 11.0        | 246.5                   | 1.5               | 1.0          | 260.0            | 200.6 |
| " " 1937        | 473.8             | 11.0        | 187.0                   | 2.0               | —            | 200.0            | 313.7 |
| Oct. 20, 1937   | 484.3             | 11.0        | 188.4                   | 0.5               | —            | 200.0            | 326.4 |
| Oct. 27, 1937   | 483.1             | 11.0        | 188.2                   | 0.7               | —            | 200.0            | 326.4 |

**Banking Department**

|                 | Public Deposits. | Bankers' Deposits. | Other Deposits. | Govt. Securities. | Discounts and Advances. | Other Securities. | Reserve. | Proportion. |
|-----------------|------------------|--------------------|-----------------|-------------------|-------------------------|-------------------|----------|-------------|
|                 | £ mn.            | £ mn.              | £ mn.           | £ mn.             | £ mn.                   | £ mn.             | £ mn.    | %           |
| End March, 1931 | 17.2             | 58.8               | 34.7            | 30.3              | 24.6                    | 25.7              | 48.3     | 43.6        |
| " " 1932        | 27.2             | 54.6               | 34.4            | 35.7              | 11.7                    | 51.1              | 35.9     | 30.9        |
| " " 1934        | 17.5             | 94.5               | 36.9            | 77.1              | 5.6                     | 11.0              | 73.4     | 49.2        |
| " " 1935        | 20.1             | 96.6               | 41.2            | 87.6              | 5.6                     | 11.4              | 71.7     | 45.3        |
| " " 1936        | 18.0             | 83.6               | 37.0            | 80.3              | 5.0                     | 16.7              | 54.9     | 39.6        |
| " " 1937        | 52.2             | 62.3               | 38.5            | 100.5             | 7.1                     | 22.9              | 40.8     | 27.7        |
| Oct. 20, 1937   | 29.8             | 89.3               | 36.3            | 99.6              | 6.5                     | 23.2              | 43.7     | 28.1        |
| Oct. 27, 1937   | 32.2             | 87.7               | 36.6            | 100.2             | 8.1                     | 20.9              | 44.9     | 28.6        |

**LONDON CLEARING BANKS (monthly averages)**

|              | Deposits. | Acceptances, Guarantees, etc. | Cash. | Balances and Cheques. | Call and Short Money. | Bills. | Investments. | Advances. |
|--------------|-----------|-------------------------------|-------|-----------------------|-----------------------|--------|--------------|-----------|
|              | £ mn.     | £ mn.                         | £ mn. | £ mn.                 | £ mn.                 | £ mn.  | £ mn.        | £ mn.     |
| March, 1931  | 1,763.9   | 121.5                         | 184.0 | 43.5                  | 114.1                 | 240.4  | 311.1        | 936.1     |
| " 1932       | 1,676.4   | 98.7                          | 174.0 | 43.4                  | 112.5                 | 216.8  | 281.9        | 902.1     |
| " 1934       | 1,830.6   | 112.8                         | 218.9 | 43.5                  | 120.4                 | 202.1  | 547.1        | 753.0     |
| " 1935       | 1,923.3   | 117.7                         | 214.0 | 43.6                  | 133.4                 | 207.0  | 614.4        | 766.8     |
| " 1936*      | 2,108.3   | 105.2                         | 216.7 | 53.8                  | 162.4                 | 252.0  | 635.1        | 849.2     |
| " 1937*      | 2,244.2   | 122.5                         | 225.8 | 62.7                  | 169.8                 | 247.8  | 667.4        | 934.4     |
| Aug., 1937*  | 2,283.3   | 116.1                         | 234.2 | 59.9                  | 161.6                 | 277.2  | 645.7        | 968.5     |
| Sept., 1937* | 2,286.8   | 114.5                         | 237.6 | 56.5                  | 161.9                 | 280.6  | 640.9        | 973.7     |

\* Includes the District Bank.

## LONDON BANKERS' CLEARING HOUSE RETURNS

|                      |     | Town<br>Clearing | Metropolitan<br>Clearing | Country<br>Clearing | Total           |
|----------------------|-----|------------------|--------------------------|---------------------|-----------------|
| 1930                 | ... | £ mn.<br>38,782  | £ mn.<br>1,812           | £ mn.<br>2,964      | £ mn.<br>43,558 |
| 1931                 | ... | 31,816           | 1,668                    | 2,752               | 36,236          |
| 1932                 | ... | 27,834           | 1,610                    | 2,668               | 32,112          |
| 1933                 | ... | 27,715           | 1,657                    | 2,766               | 32,138          |
| 1934                 | ... | 30,740           | 1,760                    | 2,984               | 35,484          |
| 1935                 | ... | 32,444           | 1,887                    | 3,229               | 37,560          |
| 1936                 | ... | 35,039           | 2,040                    | 3,538               | 40,617          |
| 1936 to Oct. 28      | ... | 27,911           | 1,648                    | 2,860               | 32,419          |
| 1937 to Oct. 27      | ... | 30,499           | 1,787                    | 3,135               | 35,421          |
| 1936, Oct. (4 weeks) | ... | 3,147            | 167                      | 293                 | 3,607           |
| 1937, Oct. (4 weeks) | ... | 2,824            | 175                      | 311                 | 3,310           |

## BANKERS' PROVINCIAL CLEARING RETURNS

|                           | Mar.,<br>1929 | Mar.,<br>1932 | Mar.,<br>1933 | Mar.,<br>1934 | Mar.,<br>1935 | Mar.,<br>1936 | Mar.,<br>1937 | Aug.,<br>1937 | Sept.,<br>1937 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Birmingham...             | £ mn.<br>11.9 | £ mn.<br>9.0  | £ mn.<br>9.7  | £ mn.<br>11.3 | £ mn.<br>9.6  | £ mn.<br>10.7 | £ mn.<br>11.3 | £ mn.<br>9.1  | £ mn.<br>9.7   |
| Bradford ...              | 5.9           | 3.4           | 3.3           | 4.2           | 3.8           | 4.7           | 4.6           | 4.1           | 3.7            |
| Bristol ...               | 5.3           | 4.9           | 5.0           | 5.4           | 4.9           | 5.5           | 5.5           | 5.0           | 5.5            |
| Hull...                   | 4.0           | 3.0           | 3.2           | 3.2           | 3.2           | 3.4           | 4.0           | 3.6           | 3.6            |
| Leeds ...                 | 4.4           | 3.8           | 3.8           | 4.4           | 4.3           | 3.9           | 4.8           | 3.3           | 3.9            |
| Leicester ...             | 3.6           | 3.1           | 3.1           | 3.3           | 2.8           | 3.1           | 3.3           | 2.7           | 3.1            |
| Liverpool ...             | 34.2          | 25.6          | 25.6          | 26.8          | 25.8          | 27.5          | 35.8          | 26.2          | 25.9           |
| Manchester...             | 58.0          | 42.5          | 42.1          | 46.1          | 42.8          | 44.9          | 50.7          | 44.0          | 43.4           |
| Newcastle-on-<br>Tyne ... | 6.5           | 5.7           | 6.5           | 6.9           | 5.5           | 5.7           | 6.3           | 6.5           | 6.3            |
| Nottingham                | 2.8           | 1.9           | 1.9           | 2.0           | 2.0           | 2.1           | 2.3           | 1.9           | 1.9            |
| Sheffield ...             | 4.6           | 3.3           | 3.5           | 3.6           | 3.4           | 4.3           | 6.0           | 4.5           | 4.3            |
|                           | 141.2         | 106.2         | 107.7         | 117.2         | 108.1         | 115.8         | 134.6         | 110.9         | 111.3          |

## LONDON AND NEW YORK MONEY RATES

|                  | LONDON    |                |             |                      |             | NEW YORK                |             |             |
|------------------|-----------|----------------|-------------|----------------------|-------------|-------------------------|-------------|-------------|
|                  | Bank Rate | Treasury Bills |             | 3 Months' Bank Bills | Short Loans | F.R.B. Re-discount Rate | Call. Money | Acceptances |
|                  |           | Tender Rate    | Market Rate |                      |             |                         |             |             |
| End March, 1931  | Percent.  | Percent.       | Per cent.   | Per cent.            | Per cent.   | Per cent.               | Per cent.   | Per cent.   |
| " 1932           | 3         | 2 1/2          | 2 1/2-2 1/2 | 2 1/2-2 1/2          | 2-2 1/2     | 2                       | 1 1/2       | 1 1/2       |
| " 1934           | 3 1/2     | 2 1/2          | 1 1/2       | 2 1/2-2 1/2          | 2-3         | 3                       | 2 1/2       | 2 1/2       |
| " 1935           | 2         | 1 1/2          | 1 1/2       | 1 1/2                | 1 1/2       | 1 1/2                   | 1           | 1           |
| " 1936           | 2         | 1 1/2          | 1 1/2       | 1 1/2-1 1/2          | 1 1/2       | 1 1/2                   | 1           | 1           |
| " 1937           | 2         | 1 1/2          | 1 1/2       | 1 1/2-1 1/2          | 1 1/2       | 1 1/2                   | 1           | 1           |
| Sept. 29th, 1937 | 2         | 1 1/2          | 1 1/2       | 1 1/2-1 1/2          | 1 1/2       | 1                       | 1           | 1           |
| Oct. 27th, 1937  | 2         | 1 1/2          | 1 1/2       | 1 1/2-1 1/2          | 1 1/2       | 1                       | 1           | 1           |

## FOREIGN EXCHANGES

| London on            | 1935          |               | 1936           |               | 1937         |               |               |               |
|----------------------|---------------|---------------|----------------|---------------|--------------|---------------|---------------|---------------|
|                      | Oct. 30       | Oct. 28       | Sept. 29       | Oct. 6        | Oct. 13      | Oct. 20       | Oct. 27       |               |
| New York—            |               |               |                |               |              |               |               |               |
| (a) Spot ...         | 4.91 1/2      | 4.89 1/2      | 4.94 1/2       | 4.95 1/2      | 4.95 1/2     | 4.95 1/2      | 4.95 1/2      | 4.95 1/2      |
| (b) 3 months         | 1 1/2 c. pm.  | 1 1/2 c. pm.  | 1 1/2 c. pm.   | 1 1/2 c. pm.  | 1 1/2 c. pm. | 1 1/2 c. pm.  | 1 1/2 c. pm.  | 1 1/2 c. pm.  |
| Montreal ...         | 4.97 1/2      | 4.88 1/2      | 4.94 1/2       | 4.95 1/2      | 4.95 1/2     | 4.95 1/2      | 4.95 1/2      | 4.95 1/2      |
| Paris—               |               |               |                |               |              |               |               |               |
| (a) Spot ...         | 74 1/2        | 105 1/2       | 144 1/2        | 150 1/2       | 147 1/2      | 146 1/2       | 147 1/2       | 147 1/2       |
| (b) 3 months         | Fr.1 1/2 dis. | Fr.1 1/2 dis. | Fr.10 1/2 dis. | Fr.8 1/2 dis. | Fr.4 dis.    | Fr.3 1/2 dis. | Fr.5 1/2 dis. | Fr.5 1/2 dis. |
| Berlin—              |               |               |                |               |              |               |               |               |
| (a) Official ...     | 12.22 1/2     | 12.16 1/2     | 12.32 1/2      | 12.33 1/2     | 12.34 1/2    | 12.33 1/2     | 12.33 1/2     | 12.33 1/2     |
| (b) Registered Marks | 52 1/2% dis.  | 48 1/2% dis.  | 45 1/2% dis.   | 46 1/2% dis.  | 47 1/2% dis. | 50% dis.      | 50% dis.      | 50% dis.      |
| Amsterdam ...        | 7.24 1/2      | 9.05          | 8.95 1/2       | 8.96          | 8.96 1/2     | 8.96 1/2      | 8.96 1/2      | 8.96 1/2      |
| Brussels ...         | 29.22         | 29.04 1/2     | 29.38          | 29.41 1/2     | 29.44 1/2    | 29.36         | 29.34         | 29.34         |
| Milan ...            | 60 1/2        | 92 1/2        | 94             | 94 1/2        | 94 1/2       | 94 1/2        | 94 1/2        | 94 1/2        |
| Zurich ...           | 15.13         | 21.28 1/2     | 21.54          | 21.52 1/2     | 21.55 1/2    | 21.50 1/2     | 21.48         | 21.48         |
| Stockholm ...        | 19.39 1/2     | 19.39 1/2     | 19.39 1/2      | 19.39 1/2     | 19.39 1/2    | 19.39 1/2     | 19.39 1/2     | 19.39 1/2     |
| Madrid ...           | 36            | n. q.         | 80*            | 80*           | 80*          | 80*           | 80*           | 80*           |
| Vienna ...           | 26 1/2        | 26 1/2        | 26 1/2         | 26 1/2        | 26 1/2       | 26 1/2        | 26 1/2        | 26 1/2        |
| Prague ...           | 118 1/2       | 138 1/2       | 141 1/2        | 141 1/2       | 141 1/2      | 141 1/2       | 141 1/2       | 141 1/2       |
| Buenos Aires—        |               |               |                |               |              |               |               |               |
| (a) Export ...       | 15            | 15            | 15             | 15            | 15           | 15            | 15            | 15            |
| (b) Import ...       | 17.02         | 17            | 16.00          | 16.00         | 16.00        | 16.00         | 16.00         | 16.00         |
| (c) Free ...         | 18.11         | 17.61         | 16.57          | 16.55         | 16.50        | 16.62         | 16.65         | 16.65         |
| Rio de Janeiro—      |               |               |                |               |              |               |               |               |
| (a) Official ...     | 57\$380       | 56\$500       | 56\$250        | 56\$250       | 56\$250      | 56\$250       | 56\$250       | 56\$250       |
| (b) Free ...         | 86\$300       | 83\$300       | 78\$000        | 79\$200       | 81\$300      | 86\$300       | 86\$300       | 86\$300       |
| Valparaiso ...       | 123*          | 131 1/2*      | 123 1/2*       | 123-84*       | 123-90*      | 123-86*       | 123-86*       | 123-78*       |
| Bombay ...           | 18 1/2 d.     | 18 1/2 d.     | 18 1/2 d.      | 18 1/2 d.     | 18 1/2 d.    | 18 1/2 d.     | 18 1/2 d.     | 18 1/2 d.     |
| Hong Kong ...        | 22 1/2 d.     | 14 1/2 d.     | 15 d.          | 15 d.         | 15 d.        | 15 d.         | 15 d.         | 15 d.         |
| Kobe ...             | 1 1/2 2 1/2   | 1 1/2 2 1/2   | 1/2            | 1/2           | 1/2          | 1/2           | 1/2           | 1/2           |
| Shanghai ...         | 15 1/2 d.     | 14 1/2 d.     | 14 1/2 d.      | 14 1/2 d.     | 14 1/2 d.    | 14 1/2 d.     | 14 1/2 d.     | 14 1/2 d.     |
| Gold price ...       | 141s. 4d.     | 142s. 2d.     | 140s. 7d.      | 140s. 7d.     | 140s. 4d.    | 140s. 6d.     | 140s. 8d.     | 140s. 8d.     |
| Silver price ...     | 29 1/2 d.     | 20 1/2 d.     | 19 1/2 d.      | 19 1/2 d.     | 19 1/2 d.    | 20d.          | 19 1/2 d.     | 19 1/2 d.     |

\* Nominal. n.q. - No quotation.

## PUBLIC REVENUE AND EXPENDITURE

|   | 1933-4       | 1934-5       | 1935-6       | 1936-7       | 1936-7<br>to<br>Oct. 24 | 1937-8<br>to<br>Oct. 23 |
|---|--------------|--------------|--------------|--------------|-------------------------|-------------------------|
| <b>REVENUE—</b>   | <b>£ mn.</b>            | <b>£ mn.</b>            |
| Income Tax ...  | 228.9        | 228.9        | 238.1        | 257.2        | 57.8                    | 66.8                    |
| Sur-Tax ...   | 52.6         | 51.2         | 51.0         | 53.6         | 6.4                     | 7.4                     |
| Estate Duties ...   | 85.3         | 81.3         | 87.9         | 88.0         | 48.0                    | 51.8                    |
| Stamps ...  | 22.7         | 24.1         | 25.8         | 29.1         | 12.0                    | 11.3                    |
| Customs ...   | 179.2        | 185.1        | 196.6        | 211.3        | 119.9                   | 126.5                   |
| Excise ...  | 107.0        | 104.6        | 106.7        | 109.5        | 62.0                    | 65.1                    |
| Motor Vehicle Duties<br>(Exchequer Share) ...             | 5.2          | 5.1          | 5.0          | 5.3          | 9.2*                    | 9.3                     |
| Other Tax Revenue ...                                     | 2.6          | 3.1          | 2.1          | 1.7          | 0.1                     | 0.1                     |
| <b>Total Tax Revenue</b> ...                              | <b>683.5</b> | <b>683.4</b> | <b>713.2</b> | <b>755.7</b> | <b>315.4</b>            | <b>338.3</b>            |
| Post Office (Net Receipt) ...                             | 13.1         | 12.2         | 11.7         | 11.0         | 8.4                     | 8.1                     |
| Post Office Fund ...                                      | —            | —            | —            | 0.1          | —                       | —                       |
| Crown Lands ...   | 1.2          | 1.3          | 1.4          | 1.4          | 0.9                     | 0.7                     |
| Receipts from Sundry Loans ...                            | 4.7          | 4.4          | 4.9          | 4.5          | 3.1                     | 3.6                     |
| Miscellaneous Receipts ...                                | 22.1         | 15.1         | 21.7         | 24.6         | 13.8                    | 8.4                     |
| <b>Total Non-Tax Revenue</b> ...                          | <b>41.1</b>  | <b>33.0</b>  | <b>39.7</b>  | <b>41.6</b>  | <b>26.2</b>             | <b>20.8</b>             |
| <b>Total Ordinary Revenue</b> ...                         | <b>724.6</b> | <b>716.4</b> | <b>752.9</b> | <b>797.3</b> | <b>341.6</b>            | <b>359.1</b>            |
| Post Office ...   | 59.3         | 61.8         | 66.1         | 71.9         | 36.6                    | 39.1                    |
| Road Fund ...   | 25.5         | 26.4         | 25.8         | 27.4         | —                       | —                       |
| <b>Total Self-balancing Revenue</b> ...                   | <b>84.8</b>  | <b>88.2</b>  | <b>91.9</b>  | <b>99.3</b>  | <b>36.6</b>             | <b>39.1</b>             |
| <b>EXPENDITURE—</b>                                       |              |              |              |              |                         |                         |
| National Debt Interest ...                                | 212.9        | 211.6        | 211.5        | 210.9        | 127.7                   | 130.4                   |
| Payments to N. Ireland ...                                | 6.6          | 6.8          | 7.2          | 8.0          | 3.6                     | 3.7                     |
| Other Cons. Fund Services ...                             | 4.1          | 3.6          | 5.7          | 3.2          | 1.3                     | 1.9                     |
| Post Office Fund ...                                      | —            | 2.3          | 1.1          | 0.4          | —                       | —                       |
| Supply Services ...                                       | 458.8        | 472.2        | 512.0        | 567.2        | 296.6                   | 331.4                   |
| <b>Total Ordinary Expenditure</b> ...                     | <b>682.4</b> | <b>696.5</b> | <b>737.5</b> | <b>789.7</b> | <b>429.2</b>            | <b>467.4</b>            |
| Sinking Fund Payments to U.S. Govt. ...                   | 7.7          | 12.3         | 12.5         | 13.1         | —                       | —                       |
| 3.3   | —            | —            | —            | —            | —                       | —                       |
| <b>Self-balancing Expenditure<br/>(as per contra)</b> ... | <b>84.8</b>  | <b>88.2</b>  | <b>91.9</b>  | <b>99.3</b>  | <b>36.6</b>             | <b>39.1</b>             |

\* Motor Vehicle Duties apportioned to Road Fund, treated as self-balancing in 1936-37, now added to Revenue and Expenditure figures for purposes of comparison.

## PRODUCTION

|                      |     | Coal                | Pig-Iron              | Steel                |
|----------------------|-----|---------------------|-----------------------|----------------------|
| Total 1913           | ... | Tons mill.<br>287.4 | Tons thous.<br>10,260 | Tons thous.<br>7,664 |
| " 1925               | ... | 243.2               | 6,262                 | 7,385                |
| " 1929               | ... | 257.9               | 7,589                 | 9,636                |
| " 1930               | ... | 243.9               | 6,192                 | 7,326                |
| " 1931               | ... | 219.5               | 3,773                 | 5,203                |
| " 1932               | ... | 208.7               | 3,574                 | 5,261                |
| " 1933               | ... | 207.1               | 4,136                 | 7,024                |
| " 1934               | ... | 221.0               | 5,969                 | 8,850                |
| " 1935               | ... | 222.9               | 6,426                 | 9,842                |
| " 1936               | ... | 228.5               | 7,686                 | 11,705               |
| Total to Sept., 1936 | ... | 168.7               | 5,701                 | 8,624                |
| Total to Sept., 1937 | ... | 178.5               | 6,181                 | 9,548                |

BOARD OF TRADE PRODUCTION INDEX NUMBER  
(1930 = 100)

|                                 | Complete Year |       | 1936    |         |         |         | 1937    |  |
|---------------------------------|---------------|-------|---------|---------|---------|---------|---------|--|
|                                 | 1935.         | 1936. | 2nd Qr. | 3rd Qr. | 4th Qr. | 1st Qr. | 2nd Qr. |  |
| Mines and Quarries ...          | 91.7          | 94.4  | 88.4    | 89.7    | 99.1    | 99.6    | 100.7   |  |
| Iron and Steel ...              | 125.6         | 150.1 | 149.5   | 149.1   | 155.6   | 158.1   | 165.6   |  |
| Non-Ferrous Metals ...          | 137.3         | 143.8 | 140.9   | 145.3   | 154.0   | 154.4   | 166.7   |  |
| Engineering and Shipbuilding    | 104.8         | 123.1 | 122.4   | 121.6   | 132.3   | 136.3   | 137.4   |  |
| Building Materials and Building | 147.0         | 157.1 | 157.8   | 164.7   | 157.3   | 148.5   | 156.9   |  |
| Textiles ...                    | 119.1         | 126.4 | 124.9   | 123.3   | 130.3   | 130.3   | 135.2   |  |
| Chemicals, Oils, etc. ...       | 112.0         | 115.4 | 112.9   | 111.2   | 120.6   | 121.8   | 123.4   |  |
| Leather and Boots and Shoes     | 116.0         | 120.7 | 121.0   | 116.4   | 119.6   | 120.6   | 121.4   |  |
| Food, Drink and Tobacco ...     | 107.6         | 114.5 | 114.5   | 115.2   | 121.2   | 111.2   | 122.1   |  |
| Total* ...                      | 113.6         | 124.7 | 123.5   | 122.5   | 132.2   | 131.7   | 134.7   |  |

\* Includes paper and printing, gas and electricity, rubber, cement and tiles.

## UNEMPLOYMENT

## (a) Percentage of Insured Workers

| Date      | 1929 | 1930 | 1931 | 1932 | 1934 | 1935 | 1936 | 1937  |
|-----------|------|------|------|------|------|------|------|-------|
| End of—   |      |      |      |      |      |      |      |       |
| January   | 12.3 | 12.4 | 21.5 | 22.4 | 18.6 | 17.6 | 16.2 | 12.6  |
| February  | 12.1 | 12.9 | 21.7 | 22.0 | 18.1 | 17.5 | 15.3 | 12.2  |
| March     | 10.0 | 13.7 | 21.5 | 20.8 | 17.2 | 16.4 | 14.2 | 11.8  |
| April     | 9.8  | 14.2 | 20.9 | 21.4 | 16.6 | 15.6 | 13.6 | 10.8  |
| May       | 9.7  | 15.0 | 20.8 | 22.1 | 16.2 | 15.5 | 12.8 | 10.9  |
| June      | 9.6  | 15.4 | 21.2 | 22.2 | 16.4 | 15.4 | 12.8 | 10.3  |
| July      | 9.7  | 16.7 | 22.0 | 22.8 | 16.7 | 15.3 | 12.4 | 10.4  |
| August    | 9.9  | 17.1 | 22.0 | 23.0 | 16.5 | 14.9 | 12.1 | 10.2  |
| September | 10.0 | 17.6 | 22.6 | 22.8 | 16.1 | 15.0 | 12.1 | 10.0* |
| October   | 10.3 | 18.7 | 21.9 | 21.9 | 16.3 | 14.5 | 12.1 |       |
| November  | 10.9 | 19.1 | 21.4 | 22.2 | 16.3 | 14.5 | 12.2 |       |
| December  | 11.0 | 20.2 | 20.9 | 21.7 | 16.0 | 14.1 | 12.2 |       |

\* New basis; on the old basis the figure was 10.3.

## (b) Actual Numbers Employed and Unemployed (in thousands)

|                                   | Mar., 1932 | Mar., 1934 | Mar., 1935 | Mar., 1936 | Sept., 1936 | Mar., 1937 | Aug., 1937 | Sept., 1937 |
|-----------------------------------|------------|------------|------------|------------|-------------|------------|------------|-------------|
| Number employed ...               | 9,549      | 10,058     | 10,200     | 10,630     | 10,966      | 11,242     | 11,562     | 11,599      |
| Wholly unemployed                 | 2,129      | 1,814      | 1,727      | 1,551      | 1,312       | 1,330      | 1,081      | 1,081       |
| Temporarily stopped               | 427        | 317        | 324        | 240        | 236         | 170        | 209        | 195         |
| Normally in casual employment ... | 104        | 94         | 92         | 88         | 72          | 76         | 67         | 58          |
| Total unemployed ...              | 2,660      | 2,225      | 2,143      | 1,879      | 1,620       | 1,576      | 1,357      | 1,334       |

## RAILWAY TRAFFIC RECEIPTS

|                               | Four weeks ended |        |                |        | Aggregate for 42 weeks. |        |              |        |
|-------------------------------|------------------|--------|----------------|--------|-------------------------|--------|--------------|--------|
|                               | Oct. 25, 1936    |        | Oct. 24, 1937. |        | 1936.                   |        | 1937.        |        |
|                               | Pas-sengers.     | Goods. | Pas-sengers.   | Goods. | Pas-sengers.            | Goods. | Pas-sengers. | Goods. |
|                               | £ mn.            | £ mn.  | £ mn.          | £ mn.  | £ mn.                   | £ mn.  | £ mn.        | £ mn.  |
| Great Western ...             | 0.8              | 1.2    | 0.8            | 1.4    | 9.1                     | 12.2   | 9.4          | 13.1   |
| London & North Eastern* ...   | 1.2              | 2.4    | 1.3            | 2.5    | 13.9                    | 23.4   | 14.6         | 24.5   |
| London Midland & Scottish ... | 1.9              | 3.1    | 2.0            | 3.2    | 21.5                    | 30.1   | 22.3         | 31.3   |
| Southern ...                  | 1.1              | 0.4    | 1.1            | 0.4    | 13.3                    | 3.9    | 14.0         | 3.9    |
| Total ... ...                 | 5.0              | 7.1    | 5.2            | 7.5    | 57.8                    | 69.6   | 60.3         | 72.8   |

\* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

**RETAIL TRADE**  
*(from the Board of Trade Journal)*  
 Change in value since same date in previous year

|                                     | Sept.,<br>1934 | Sept.,<br>1935 | Sept.,<br>1936 | Aug.,<br>1937 | Sept.,<br>1937 |
|-------------------------------------|----------------|----------------|----------------|---------------|----------------|
| <b>By CATEGORIES: Great Britain</b> |                |                |                |               |                |
| Total ... ... ...                   | + 4.1          | + 8.1          | + 4.5          | + 6.7         | + 8.6          |
| Food and Perishables ... ...        | + 3.7          | + 8.6          | + 7.4          | + 8.3         | + 8.8          |
| Other Merchandise of which          |                |                |                |               |                |
| Piece-goods* ... ... ...            | - 4.9          | + 3.5          | - 1.4          | + 6.2         | + 5.9          |
| (i) Household Goods ...             | - 6.1          | + 4.0          | - 0.5          | + 4.2         | + 4.0          |
| (ii) Dress Materials ...            | - 4.3          | + 3.0          | - 2.0          | + 7.8         | + 6.9          |
| Women's Wear* ... ...               | + 5.4          | + 9.6          | + 1.4          | + 7.3         | + 10.3         |
| (i) Fashion Departments ...         | + 7.2          | + 13.0         | + 4.7          | + 1.8         | + 12.0         |
| (ii) Girls' and Children's Wear     | + 4.8          | + 10.3         | - 1.3          | + 7.8         | + 15.0         |
| (iii) Fancy Drapery ...             | + 3.9          | + 6.9          | - 2.5          | + 10.5        | + 8.1          |
| Men's and Boys' Wear ... ...        | + 5.7          | + 9.7          | - 3.8          | + 6.3         | + 10.1         |
| Boots and Shoes ... ...             | + 8.0          | + 8.6          | + 6.0          | + 5.4         | + 8.7          |
| Furnishing Departments ...          | + 8.0          | + 6.2          | + 3.3          | + 3.0         | + 3.8          |
| Hardware ... ... ...                | - 1.1          | + 8.4          | + 2.1          | + 2.1         | + 4.9          |
| Fancy Goods ... ... ...             | + 1.0          | + 3.3          | + 4.7          | + 2.9         | + 3.8          |
| Sports and Travel ... ...           | + 1.3          | + 1.8          | + 9.6          | - 3.6         | - 8.0          |
| Miscellaneous and Unallocated       | + 6.3          | + 7.0          | - 2.8          | + 1.2         | + 13.9         |
| <b>By AREAS—</b>                    |                |                |                |               |                |
| All Categories—                     |                |                |                |               |                |
| Scotland ... ... ...                | + 5.8          | + 5.1          | + 4.7          | + 4.9         | + 7.0          |
| North-East ... ... ...              | —              | —              | —              | + 8.3         | + 9.8          |
| North-West ... ... ...              | —              | —              | —              | + 6.8         | + 8.6          |
| Midlands & South Wales ...          | —              | —              | —              | + 9.1         | + 11.0         |
| South of England ... ...            | + 3.7          | + 9.8          | + 4.8          | + 7.4         | + 9.4          |
| London, Central & West End          | + 1.5          | + 7.1          | + 3.6          | + 2.1         | + 3.4          |
| London, Suburban ... ...            | + 5.3          | + 10.1         | + 4.4          | + 5.3         | + 9.1          |

\* Including some goods which cannot be allocated to sub-headings.

## OVERSEAS TRADE

| Date.                   | IMPORTS. |                |                     |        | EXPORTS. |                |                     |        |
|-------------------------|----------|----------------|---------------------|--------|----------|----------------|---------------------|--------|
|                         | Food.    | Raw Materials. | Manufactured Goods. | Total. | Food.    | Raw Materials. | Manufactured Goods. | Total. |
| <b>Monthly Average—</b> |          |                |                     |        |          |                |                     |        |
| 1929                    | 44.6     | 28.3           | 27.9                | 90.7   | 4.6      | 6.6            | 47.8                | 60.8   |
| 1930                    | 39.6     | 20.9           | 25.6                | 87.0   | 5.3      | 5.3            | 36.7                | 47.6   |
| 1931                    | 34.7     | 14.4           | 21.8                | 71.8   | 3.0      | 3.9            | 24.3                | 32.6   |
| 1932                    | 31.1     | 13.7           | 13.1                | 58.5   | 2.7      | 3.6            | 23.0                | 30.4   |
| 1933                    | 28.3     | 15.0           | 12.6                | 56.3   | 2.4      | 3.8            | 23.4                | 30.6   |
| 1934                    | 28.9     | 17.5           | 14.3                | 61.0   | 2.5      | 4.0            | 25.4                | 33.0   |
| 1935                    | 29.6     | 17.7           | 15.4                | 63.0   | 2.6      | 4.4            | 27.4                | 35.5   |
| 1936                    | 31.9     | 20.7           | 17.7                | 70.7   | 3.0      | 4.3            | 28.4                | 36.7   |
| Sept., 1936             | 32.9     | 19.6           | 19.1                | 71.9   | 3.0      | 4.3            | 28.8                | 37.0   |
| Sept., 1937             | 36.1     | 26.5           | 24.6                | 87.8   | 3.4      | 5.4            | 34.5                | 44.3   |

## SOME LEADING IMPORTS

| Date.                   | Wheat. | Iron Ore and Scrap. | Raw Cotton. | Raw Wool. | Hides, Wet and Dry. | Wood Pulp. | Rubber. | Iron and Steel Manufacturers. |
|-------------------------|--------|---------------------|-------------|-----------|---------------------|------------|---------|-------------------------------|
| <b>Monthly Average—</b> |        |                     |             |           |                     |            |         |                               |
| 1929                    | 9,314  | 480                 | 1,283       | 678       | 98                  | 137        | 330     | 235                           |
| 1930                    | 8,731  | 363                 | 1,011       | 652       | 108                 | 128        | 326     | 243                           |
| 1931                    | 9,952  | 185                 | 989         | 707       | 106                 | 122        | 237     | 237                           |
| 1932                    | 8,803  | 159                 | 1,048       | 765       | 105                 | 153        | 176     | 133                           |
| 1933                    | 9,366  | 234                 | 1,169       | 793       | 120                 | 162        | 189     | 81                            |
| 1934                    | 8,552  | 392                 | 1,052       | 657       | 116                 | 187        | 395     | 114                           |
| 1935                    | 8,435  | 415                 | 1,060       | 720       | 141                 | 185        | 325     | 96                            |
| 1936                    | 8,401  | 587                 | 1,289       | 762       | 157                 | 307        | 116     | 124                           |
| Sept., 1936             | 7,590  | 582                 | 975         | 343       | 193                 | 212        | 101     | 165                           |
| Sept., 1937             | 6,595  | 710                 | 1,006       | 295       | 190                 | 155        | 373     | 226                           |

## SOME LEADING EXPORTS

| Date.                   | Coal. | Iron and Steel. | Machinery. | Cotton Yarns. | Cotton Piece-Goods. | Woollen Tissues. | Worsted Tissues. | Motor Cars. |
|-------------------------|-------|-----------------|------------|---------------|---------------------|------------------|------------------|-------------|
| <b>Monthly Average—</b> |       |                 |            |               |                     |                  |                  |             |
| 1929                    | 5,022 | 365             | 47         | 11.8          | 306                 | 9,016            | 3,490            | 1,991       |
| 1930                    | 4,573 | 263             | 40         | 11.1          | 201                 | 6,587            | 2,893            | 1,602       |
| 1931                    | 3,563 | 165             | 27         | 11.4          | 143                 | 4,694            | 2,479            | 1,429       |
| 1932                    | 3,242 | 157             | 25         | 13.9          | 183                 | 4,461            | 2,358            | 2,246       |
| 1933                    | 3,256 | 160             | 23         | 15.8          | 169                 | 5,110            | 2,741            | 2,821       |
| 1934                    | 3,305 | 188             | 28         | 10.9          | 166                 | 5,745            | 2,772            | 2,904       |
| 1935                    | 3,226 | 193             | 32         | 11.8          | 162                 | 5,934            | 3,205            | 3,659       |
| 1936                    | 2,878 | 184             | 32         | 12.6          | 160                 | 6,523            | 3,304            | 4,268       |
| Sept., 1936             | 3,031 | 183             | 32         | 11.8          | 154                 | 6,856            | 2,915            | 3,946       |
| Sept., 1937             | 3,657 | 194             | 37         | 11.9          | 157                 | 6,437            | 3,275            | 3,793       |

## PRICES

## 1. WHOLESALE PRICES

| Date                | Index Number (Sept. 16th, 1931=100) |        |        |       |         |
|---------------------|-------------------------------------|--------|--------|-------|---------|
|                     | U.K.                                | U.S.A. | France | Italy | Germany |
| Average 1929 ...    | 150.9                               | 139.4  | 141.3  | 146.0 | 126.1   |
| 1931 ...            | 107.7                               | 103.5  | 105.5  | 103.5 | 101.9   |
| 1932 ...            | 103.5                               | 89.3   | 92.0   | 93.1  | 88.7    |
| 1933 ...            | 103.5                               | 93.7   | 87.7   | 86.6  | 85.7    |
| 1934 ...            | 106.4                               | 111.1  | 83.1   | 84.2  | 90.4    |
| 1935 ...            | 108.1                               | 120.3  | 78.4   | 97.2  | 93.5    |
| 1936 ...            | 116.2                               | 121.4  | 90.6   | 112.5 | 95.6    |
| End Sept., 1936 ... | 118.5                               | 121.8  | 96.4   | —     | 95.9    |
| " Oct., 1936 ...    | 120.8                               | 122.5  | 102.1  | —     | 95.8    |
| " Sept., 1937 ...   | 135.0                               | 131.5  | 139.4  | 139.3 | 97.6    |
| " Oct., 1937 ...    | 132.6                               | 127.7  | 138.8  | 141.6 | 97.2    |

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

## 2. RETAIL PRICES (cost of living)

| Date                | Food | Rent<br>(including<br>Rates) | Clothing | Fuel<br>and<br>Light | Other<br>Items<br>included | All<br>Items<br>included |
|---------------------|------|------------------------------|----------|----------------------|----------------------------|--------------------------|
| End of 1929 ...     | 57   | 52                           | 115      | 75                   | 80                         | 66                       |
| 1931 ...            | 31   | 54                           | 90       | 75                   | 75                         | 47                       |
| 1932 ...            | 23   | 55                           | 85       | 70-75                | 70-75                      | 42                       |
| 1933 ...            | 24   | 56                           | 85       | 70-75                | 70-75                      | 42                       |
| 1934 ...            | 25   | 56                           | 85-90    | 70-75                | 70-75                      | 44                       |
| 1935 ...            | 31   | 58                           | 85       | 75                   | 70                         | 47                       |
| 1936 ...            | 36   | 59                           | 90-95    | 75-80                | 70                         | 51                       |
| End Sept., 1936 ... | 32   | 59                           | 90       | 75                   | 70                         | 48                       |
| " Aug., 1937 ...    | 40   | 59                           | 105      | 75-80                | 75                         | 55                       |
| " Sept., 1937 ...   | 43   | 59                           | 105-110  | 80                   | 75                         | 58                       |

The figures represent the percentage increase above July, 1914, which is equal to 100.

## 3. COMMODITY PRICES (average for month)

| Date.            | Wheat<br>No. 1<br>N.<br>Manitoba | Sugar<br>Centrifugals<br>U.K. | Cotton<br>American<br>Middling | Wool<br>64's<br>tops avge. | Pig-Iron,<br>Cleveland<br>No. 3. | Tin,<br>Standard<br>Cash | Rubber<br>Plantation<br>Sheet |
|------------------|----------------------------------|-------------------------------|--------------------------------|----------------------------|----------------------------------|--------------------------|-------------------------------|
|                  | per qr.<br>s. d.                 | per cwt.<br>s. d.             | per lb.<br>d.                  | per lb.<br>d.              | per ton<br>s. d.                 | per ton<br>s. d.         | per lb.<br>d.                 |
| Average 1929 ... | 54 0 $\frac{1}{2}$               | 9 0 $\frac{1}{2}$             | 10.29                          | 38 $\frac{1}{2}$           | 70 4 $\frac{1}{2}$               | 203 $\frac{1}{2}$        | 10 $\frac{1}{2}$              |
| 1931 ...         | 28 2 $\frac{1}{2}$               | 6 4 $\frac{1}{2}$             | 5.08                           | 23 $\frac{1}{2}$           | 58 7                             | 118 $\frac{1}{2}$        | 3 $\frac{1}{2}$               |
| 1932 ...         | 30 6 $\frac{1}{2}$               | 5 9 $\frac{1}{2}$             | 5.29                           | 22 $\frac{1}{2}$           | 58 6                             | 136 $\frac{1}{2}$        | 2 $\frac{1}{2}$               |
| 1933 ...         | 28 2                             | 5 4                           | 5.53                           | 28 $\frac{1}{2}$           | 62 3                             | 194 $\frac{1}{2}$        | 3 $\frac{1}{2}$               |
| 1934 ...         | 30 11                            | 4 8 $\frac{1}{2}$             | 5.66                           | 30 $\frac{1}{2}$           | 66 10 $\frac{1}{2}$              | 230                      | 6 $\frac{1}{2}$               |
| 1935 ...         | 34 3 $\frac{1}{2}$               | 4 8                           | 6.69                           | 28                         | 67 10                            | 225 $\frac{1}{2}$        | 5 $\frac{1}{2}$               |
| 1936 ...         | 38 0                             | 4 8 $\frac{1}{2}$             | 6.67                           | 32 $\frac{1}{2}$           | 73 0                             | 204 $\frac{1}{2}$        | 7 $\frac{1}{2}$               |
| Oct., 1936 ...   | 44 6 $\frac{1}{2}$               | 4 10 $\frac{1}{2}$            | 6.89                           | 31 $\frac{1}{2}$           | 75 0                             | 222 $\frac{1}{2}$        | 7 $\frac{1}{2}$               |
| Sept., 1937 ...  | 54 3 $\frac{1}{2}$               | 6 5                           | 5.34                           | 35 $\frac{1}{2}$           | 101 0                            | 258 $\frac{1}{2}$        | 9                             |
| Oct., 1937 ...   | 58 6                             | 6 4 $\frac{1}{2}$             | 4.78                           | 31 $\frac{1}{2}$           | 101 0                            | 218 $\frac{1}{2}$        | 7 $\frac{1}{2}$               |

Germany

126-1  
101-9  
88-7  
85-7  
90-4  
93-5  
95-6

95-9  
95-8  
97-6  
97-2

statistique  
samt.

All  
Items  
Included

66  
47  
42  
42  
44  
47  
51

48  
55  
58

100.

Rubber  
Plantation  
Sheet

per lb.  
d.  
10 $\frac{1}{2}$   
3 $\frac{1}{2}$   
2 $\frac{1}{2}$   
3 $\frac{1}{2}$   
6 $\frac{1}{2}$   
5 $\frac{1}{2}$   
7 $\frac{1}{2}$

7 $\frac{1}{2}$   
9  
7 $\frac{1}{2}$